

International Political Economy Series

The Changing Worlds and Workplaces of Capitalism

Edited by Seán Ó Riain, Felix Behling,
Rossella Ciccia & Eoin Flaherty



International Political Economy Series

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The Changing Worlds and Workplaces of Capitalism

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Contents

<i>List of Figures</i>	vii
<i>List of Tables</i>	viii
<i>Acknowledgements</i>	x
<i>Notes on Contributors</i>	xi
1 Changing Workplaces, Changing Capitalisms <i>Seán Ó Riain, Felix Behling, Rossella Ciccia and Eoin Flaherty</i>	1
2 A Varieties Approach to the Varieties of Capitalism <i>Lars Mjøset</i>	15
3 The Variety of Polanyian Double Movements in Europe's Capitalisms <i>Eoin Flaherty and Seán Ó Riain</i>	38
4 Classifying Labour Regimes beyond the Welfare State: A Two Dimensional Approach <i>Rossella Ciccia</i>	58
5 Reforming Welfare States and Changing Capitalism: Reversing Early Retirement Regimes in Europe <i>Bernhard Ebbinghaus and Dirk Hofäcker</i>	79
6 A Precarious Future: An Irish Example of Flex-Insecurity <i>Mary P. Murphy and Camille Loftus</i>	98
7 Institutionalisation of Trade Union Activity: Four Indexes and Their Ability to Explain Cross-National Differences in Strike Rate <i>Luis Ortiz and Clara Riba</i>	118
8 Welfare beyond the State: Employers as Welfare Providers in Germany and the UK <i>Felix Behling</i>	144
9 Multinationals of Industrial Co-development: Co-creating New Institutions of Economic Development <i>Peer Hull Kristensen and Maja Lotz</i>	164

10	Beyond the Flexibility/Security Divide: Skills, Work Organisation, and External Employment in the German Knowledge-Based Economy <i>Karen A. Shire and Markus Tünte</i>	182
11	Work-Life Balance, Working Conditions and the Great Recession <i>Frances McGinnity and Helen Russell</i>	201
12	Integrating Work and Political Economy <i>Seán Ó Riain, Felix Behling, Rossella Cicia and Eoin Flaherty</i>	221
	<i>Bibliography</i>	237
	<i>Index</i>	263

List of Figures

3.1	Labour share trends, selected European countries, 1960–2010	40
3.2	Period-specific linear trends in Irish and Danish labour share, 1960–2010	47
3.3	Standardised coefficients, marketisation model (Ireland)	49
3.4	Standardised coefficients, marketisation model (Denmark)	49
3.5	Standardised coefficients, political-economic model (Ireland)	53
3.6	Standardised coefficients, political-economic model (Denmark)	54
4.1	Labour regime clusters, 2007	69
5.1	Employment and early exit, men 60–64, OECD (1995–2012)	82
5.2	Statutory retirement age for men, OECD (1971–2030)	83
6.1	Growth in part-time employment	102
6.2	Involuntary part-time as percentage of all part-time employment, age 20–64, 2013	103
6.3	Low pay rates are associated with low working hours	105
6.4	Insiders and outsiders	111
10.1	Types of external labour along the continuum of atypical and regular employment relations	195
11.1	Changes in working conditions in the last three years (proportion of employees reporting)	211
11.2	Cutbacks in households in past three years by regime	212

List of Tables

2.1	Basic elements of a systematic framework	20
2.2	Five great surges of growth and five major technology bubbles	22
2.3	Dating of the sub-periods of the five long surges	23
2.4	Specifying Polanyi's 'self-defence' of labour, money and resources	29
2.5	A periodised combination of national institutional frameworks	31
4.1	Principal component analysis of selection dimension (2007)	67
4.2	Principal component analysis of standardisation dimension	68
4.3	Labour regimes' characteristics (2007)	69
4.4	Descriptive variables per labour regime model (2007)	70
5.1	Employment and early exit, men 60–64, 1995 (or peak year) and 2012	84
5.2	Protection-related pull indicators, Europe mid-1990s	86
5.3	Overview of selected economic push factors, Europe (1995/98–2012)	90
5.4	Overview of selected institutional retention factors (1985–2011)	94
6.1	Persons aged 15 years and over classified ILO economic status, quarter 1 2014	103
6.2	Irish budget changes to job seekers payments and atypical rules (2009–2014)	111
6.3	Part-time employment as percentage of the total employment [lfsa_Eppga]	114
6.4	Involuntary part-time employment as percentage of the total part-time employment 20–64 [lfsa_Eppgai]	115
7.1	Result of EFA: pattern matrix	128
7.2	Indexes of trade unions' institutionalisation: results of confirmatory factor analysis	129
7.3	Results of cluster analysis (group-mean of indexes)	131
7.4	Typology of countries according the institutionalisation of union activity	132
7.5	Effects of institutionalism of union activity in labour conflicts	134

8.1	Changes in employee welfare	160
10.1	Standard and part-time employment by sector in Germany (2010)	185
10.2	Shares of temporary agency and solo self-employment by sector in Germany (2010)	187
11.1	Work-life balance, working hours, job pressure and job control by regime (2010)	207
11.2	Proportion of employees saying 'yes' for selected working conditions (2010)	209
11.3	Satisfaction with work-life balance: working conditions and changes in the past three years factors (selected coefficients, employees in couples)	213
11.4	Satisfaction with work-life balance: regime differences	215
11.5	Models of satisfaction with work-life balance, employees in couples, showing all controls	219
12.1	Comparative labour regimes	233

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1

Changing Workplaces, Changing Capitalisms

Seán Ó Riain, Felix Behling, Rossella Ciccia and Eoin Flaherty

1 A world in flux

Recent decades have seen momentous shifts in the organisation of capitalism, including the range of transformations captured under the grand labels of globalisation, financialisation, liberalisation, and post-industrialism. Not surprisingly, the national forms of capitalist political economy are themselves in flux – even though significant differences remain between social democratic, Christian democratic, and liberal economies (among others) the internal dynamics of each of these models of capitalism are being transformed in important ways (Thelen 2014). At the same time, the experience of work in these worlds of capitalism has undergone dramatic changes. Workers often have more autonomy, work more closely with colleagues within and outside their employer's company, and can exercise more flexibility in organising their work. However, the pressures of work are often more intense, employment is insecure, rewards are uncertain and likely to depend on competition with others, and a general sense of precarity is widespread.

These developments have largely been studied in isolation from one another. Macro studies of capitalist economies typically made passing reference to workplaces but assumed that employer and worker interests could be read off a number of key indicators (skill, sector, gender, etc). Micro studies of work and organisation sometimes characterised their workplaces as examples of national work organisation but rarely directly brought the institutional and political features of the national context into the analysis of work itself. The context for the workplace was capitalism itself, conceived as an abstract set of relationships and not as concrete relations taking particular institutionalised forms.

This separation of fields was understandable in light of the demands of research and the classic difficulties of bridging macro and micro levels of analysis. While global and national capitalisms and systems of production were relatively stable, the separation was merely unfortunate. However, at a time when economies and workplaces are both under severe pressure and in flux, a new dialogue between political economy and the sociology of work and employment is needed in order to shed light on both these pressures and on the possible recombinations of actors, interests, practices, and institutions that can underpin new and better models of work and economic organisation.

2 The missing dialogue between work and comparative political economy

Given the proliferation of studies and typologies comparing different kinds of capitalist economies, it is easy to forget how prevalent linear notions of modernisation and capitalist development were in mainstream social science through the 1960s and 1970s. However, this underwent a dramatic shift in recent decades as first, Esping-Andersen's three worlds of welfare capitalism and then Hall and Soskice's 'varieties of capitalism' came to dominate the social scientific study of capitalism. Neither, unfortunately, integrated work and the workplace into their approaches.

2.1 The three worlds of welfare capitalism

Esping-Andersen's (1990) classic contribution identified three worlds – liberal, socialist, and conservative – that constituted welfare capitalism. Further work added additional clusters – Mediterranean (Esping-Andersen 1999), Antipodean (Castles 1985) and a number of Central and Eastern European forms (Bohle and Greskovtis 2012). Work on the welfare state was rooted in Polanyi and Marx, this body of work incorporated a strong analysis of how institutions of the welfare state reflected patterns of class struggle, primarily shaped by the power resources of employers and workers. This was about capitalism, class, and the distribution of capitalism's riches. Later critiques added gender, age, and a variety of other critical dimensions of stratification (Orloff 1993; Quadagno 1994). All these elements were potentially crucial for the comparative study of capitalist workplaces but the approach left aside the politics of work itself.

These comparative literatures were immensely valuable, but they rarely if ever opened the black box of the workplace – whether to characterise the different ways that work was organised across these worlds

of capitalism or to explain those differences. Work was identified with commodification – it was the arena where both the difficulties that welfare must address and the economic growth to finance those measures was generated. While the general approach connected to discussions of corporatism and industrial relations, this literature largely operated at the level of formal bargaining in the macro-economy and the key contribution of Esping-Andersen's analysis of how welfare shaped interests, as well as reflecting them, was never applied to the workplace.

This meant that the comparative welfare state literature was able to 'park' the study of work, instead focusing on the welfare state as the primary arena for class and gender politics of capitalism. This would have been less problematic had it not lead to significant misunderstandings of the words of capitalism that it described. Social democracies, for example, contained strong elements of commodification (Huo, Nelson, and Stephens 2008) and empowered actors within the market as much as protecting them from it (Pontusson 2011). Liberal economies relied most heavily on mechanisms of regulation and control over market mechanisms – including 'job control' strategies of industrial relations (Ó Riain 2014).

2.2 Sociology of work and organisations

A vibrant sociology of work had emerged largely separate from the welfare state literature, particularly following Braverman's *Labor and Monopoly Capital* in 1974. The 'labour process' literature was most widely developed in Anglo-American social science, though it rarely paid attention to that comparative context of liberal political economy. In this respect, it echoed the earlier organisational studies of bureaucracies from the 1960s. In the labour process literature, the most obvious context was often the sector, but even sectoral differences were rarely systematically compared and key sectors came to be taken as iconic and implicitly representative of the most significant trends in capitalist work – factories (especially autos) in the 1970s and 1980s giving way to call centres in the 1990s. Burawoy (1985) opened the door to an integration of micro-studies with the macro context – exploring how relations in production (sociology of work) intersected with relations of production (political economy). However, his comparative focus was primarily on differences between capitalist and non-capitalist political economies so that, although possible in principle, insights into comparative capitalisms were not pursued (Burawoy 2001).

Over time, a richer comparative literature developed including studies of systems of production and 'new production concepts' (often in

Europe) from the 1970s and of industrial districts and global production chains (from the 1980s). These studies provided rich insight into the micro- and meso-organisational features that shaped the dynamics and politics of the workplace. These could be assembled into patterns of national differences in work and employment relations – with significant literatures on ‘flexible rigidities’ in Japanese alliance capitalism (Dore 1986; Lincoln and Kalleberg 1991); ‘diversified quality production’ in Germany (Streeck 1991), ‘socio-technical systems’ in Sweden (Berggren 1993), industrial districts in Italy (Piore and Sabel 1984), and management led systems in the US and UK (seen variously as stuck in a low skill equilibrium (Finegold and Soskice 1991) and as sources of innovation (Hall and Soskice 2001)). Indeed, the debate on lean production in the auto industry often explicitly compared national differences in work organisation and how they transferred across national borders. However, these fields never found their ‘Three Worlds of Capitalist Workplaces’ to provide an integrative framework on how we might best characterise the various national systems.

This missing dialogue was unfortunate. Welfare and other contexts were left out of workplace studies, for the most part – some excellent studies paid attention to labour market contexts (Lee 1998) but these were not widespread and in any case said relatively little about how these labour markets were shaped by policy regimes. The structure and substance of the welfare state clearly has a strong influence on workplace dynamics, through both the social protection available to workers should they want to leave a workplace (or be fired) and through the levels of ‘social investment’ in workers’ skills and capabilities. Furthermore, the employer from a system of diversified quality production would clearly have different ‘interests’ in national bargaining than an employer embedded in a low skill strategy, or even a representative of a decentralised industrial district – as noted in Swenson’s (2002) study of Swedish employers’ partial but important support for the welfare state.

2.3 The varieties of capitalism framework: opening up dialogue and closing it down

The influential literature on the ‘varieties of capitalism’ (Hall and Soskice 2001) promised to overcome this separation between production and welfare. At its core was a distinction between two main forms of organization of capitalist economies – coordinated market economies where government played a central guiding role and which had generated growth in Germany, Japan, and other European and Asian economies,

and liberal market economies where free market mechanisms played a more central role in organizing labour, the workplace, capital, and university-industry relations. It placed the organisation of production and the process of economic growth and capital accumulation at the centre of the field once more. Moreover, the temptation to pose a single logic of capitalist production and economic organisation was resisted and the central role of institutions and politics in shaping the organization of different economies was re-affirmed – even if the worlds of capitalism were reduced to just two.

However, having opened up the dialogue between production and welfare (or work and comparative political economy), the Varieties of Capitalism (VOC) literature immediately closed the issue down. In the realm of production, VOC made an influential distinction between workers who relied primarily on skills that were specific to particular firms or industries, versus those workers with general skills that were more easily transferred across institutional contexts. The interests of workers were linked directly to their skill profiles – general skills workers were more likely to favour market organisation as it expanded opportunities for their skills, while specific skills workers had a much stronger interest in social protection offered by both firms and states. In welfare regimes, the institutional contexts in which workers and firms found themselves were defined largely in terms of whether states provided social protection against the risks of the market – with workers with specific skills having a stronger interest in welfare state protections (Iversen 2005). The form of the capitalist economy (coordinated or liberal), the organisation of production (around specific or general skills, promoting incremental learning or radical innovation) and the scope of social protection (extensive or weak) were mapped on to each other one to one. The complexities of contingent and creative interactions across levels of analysis – or even of institutionally rich accounts of the various clusters of production, welfare and macroeconomic regimes – was closed off in favour of a parsimonious but ultimately thin binary distinction between liberal market economies and the rest. Given, as outlined above, that comparative evidence often showed greater levels of ‘coordination’ in the workplaces of liberal political economies, this could also be deeply misleading. Indeed, even the key distinction between general and specific skills – which effectively serves in the VOC framework to represent the contribution of the sociology of work – is lacking (see Streeck 2011 for a detailed critique). Ultimately, the apparent unification of political economy and work is only a shell.

3 Putting work and political economy together: social systems of production

While many criticisms have been levelled at the Varieties of Capitalism approach, articulating an alternative remains a significant challenge. However, there is a more disparate tradition that attempts this unification of work and political economy through a more historicised account of changes in capitalism. What might broadly be called the ‘social systems of production’ approach comprises a variety of different perspectives that share the sensitivity to diversity and political contingency of the comparative welfare literature and the goal of the Varieties of Capitalism school to link economy and workplace.

Most basically, Wilkinson (1983) argues that production cannot be understood as a simple function within the overall system of the economy, but as involving a system in its own right. This system involves the complex coordination of multiple actors – not only as individuals but also as collective actors which are potentially internally fragmented and involved in conflictual external relationships. Therefore, ‘the institutions of productive systems are structured by mutual interests and relative power. ... [and] securing mutually beneficial cooperation in production requires resolving distributional differences’ (Wilkinson 1983: 413). While structured by power relations, institutions play a central role in accommodating varying interests and power differences into working productive systems.

Boyer (2013) and others in the regulation school put some meat on the bones of these productive systems, through an account of the shifting historical paradigms of the organisation or ‘regulation’ of capitalism, which importantly links the wage bargain to the overall macroeconomic model. The focus of such analyses is firmly at the level of historical systems and is focused primarily on the macro-level shift from Fordism to Post-Fordism (Boyer 2013). This approach adds an account of historical change in capitalism to the theoretical concepts of Wilkinson’s ‘productive systems’, focusing on the de-standardisation of the employment relationship and wage bargain. However, despite the potential for comparative analysis of the varying combinations of labour market and macroeconomic institutionalised bargains, it remains largely underdeveloped within regulation theory itself (but see Boyer 2013; Jessop 2014).

A number of frameworks have been advanced from within the sociology of work and employment to understand precisely this diversity of forms of workplace and economic organisation and formal and informal

bargains under capitalism. Smith and Meiskins (1995) advance the 'societal effects' perspective on workplace organisation which contrasts (primarily national) societal influences on work and employment with system imperatives. Where system imperatives can be traced to both techno-economic trends and the power of dominant actors within transnational capitalism (Frenkel and Kuruvilla 2002), societal effects are shaped by national configurations of power resources, institutions, and (to a lesser extent) culture. Rubery and Grimshaw (2003: 47) argue for a more dynamic notion of societal effects and emphasise the interactions among national societal systems of employment, outlining four primary mechanisms – the role of multinational corporations; the diffusion of ideologies, culture, and patterns of consumption; international competition and system pressures; and international governance and dominant country effects.

This approach provides a framework for analysis of the interaction of societal forces and workplace dynamics. It treats production as shaped by societal contexts ranging across culture, institutions, and political 'exchange'. However, it requires the integration of frameworks from outside of the workplace studies tradition to fully enrich its analysis of the diverse, variegated forms through which capitalism is organised at various levels. In particular, it needs conceptual mechanisms that can link the micro and macro in ways that go beyond a perspective based primarily on rational action within institutional constraints. We point here to three such frameworks. The first two relate primarily to the formation of the key actors in capitalism – 'labour' and 'capital'. These are not simply 'constrained' by institutional politics, they are constituted by them. The third relates to the interaction of these two key actors in various arenas of political contestation and cooperation.

Looking first at the constitution of labour, the comparative welfare and social policy literature is an important resource. It sheds particular light on the conditions under which labour enters the labour market; the context of social reproduction within which labour forces work – and negotiate their conditions at work; and on the boundaries between paid and non-paid work, or between production and social reproduction. Recent emphases on 'human capital formation regimes' (Ó Riain 2011; Iversen and Stephens 2008) direct particular attention to the role of welfare state regimes in forming labour itself and influencing its composition, its resources, and its 'interests'.

Similarly, 'capital' cannot be taken as an undifferentiated actor which arrives on the political terrain in pure, unsullied form. For a number of decades an 'organisational turn' in political economy has focused on the

variety of ways in which firms are organised. For example, Hollingsworth, Schmitter, and Streeck (1994) identified five organisational forms of governance – markets, hierarchies, state, networks, association – that were distributed highly unevenly across capitalism. Each implies a quite different definition of key categories of business organisation – including authority, management, efficiency, power – and implies a highly varied set of forms of legitimate authority in the workplace.

Whitley's (2007) notion of 'business systems' fills in some of the detail under these forms. Its central focus is the variety of business strategies and how they are associated with varying forms of work and labour market organisation – often incorporating different combinations of the organisational logics outlined by Hollingsworth et al. Both approaches also emphasise the importance of sectoral differences in work organisation, alongside continuing national differences.

This leaves the question of how these actors interact in the various levels of the political economy. Workplace studies document this in detail but largely in isolation from institutional contexts and rarely generate categorisations of such interactions that can serve to enrich macroeconomic bargaining analyses. Here there is a need to connect these workplace studies to the historical institutionalist analyses of recent years that have documented the critical role of institutional configurations in shaping the social accommodations possible in certain places at particular times – including resources and laws, networks and patterns of alliances, and 'softer' institutional forms such as available relations of trust and shared constructions of problems and economic interpretations. Crucially, such institutions generate not only constraints on rational action but also capabilities for different – and occasionally new – forms of 'rational action' (Browne, Deakin, and Wilkinson 2002).

These perspectives offer major advances on the Varieties of Capitalism approach which brought business and labour back in but in a highly simplified form, as noted above. Similarly, the VOC approach reduced the political interaction around 'coordination' to a focus on the role of business associations to shape governance. The challenges of production for business were reduced to the putative fit between markets and innovation and between coordination and incremental learning.

The perspectives we have outlined can serve as the basis for a new framework to integrate the study of political economies and workplaces – and to transform the study of each. Most fundamentally, while it is widely understood that production organisation and workplace politics are shaped by societal effects, it is often less explicitly recognised that production is a sociological accomplishment – a collective enterprise

that is highly contested but whose success can never be guaranteed. A successful productive system is difficult for firms to produce – even in cases where they have significant power advantages. Indeed, such power advantages at the local level may serve to weaken the ability of ‘capital’ to deliver effective system-level outcomes (Streeck 1997; Mizruchi 2013; Thompson 2003). Production sits between uncertainty and power, with the ‘solutions’ that are accomplished always fusing projects of workplace bargains and institution-building – in the process enacting, building, and transforming the organisation of capitalist economic life.

This suggests a set of comparative historical orienting principles. First, capitalism is contingent and, occasionally at least, up for grabs – even if enormously powerful and exploitative. Second, that institutional differences across time and space matter in highly significant ways, both in the constraints that they place on action but also in the kinds of actors they constitute and in shaping the kinds of actions and interactions of which actors are capable. Third, workplaces are contested terrains, but not just of interests in work but also of the social contracts of broader institutions and projects. The process of the contested ‘enactment’ of institutions (Mahoney and Thelen 2010) is central to the ongoing construction of capitalism – and that enactment is anchored firmly in the politics of production in the workplace (Burawoy 1985).

In this volume we bring together analyses of capitalism in Europe from a variety of perspectives but through them we elaborate on these principles to provide further development of this alternative theoretical perspective to the previously dominant framework of the ‘varieties of capitalism’. In framing the structure of this volume, we have focussed on the level of analysis – moving from the macro to the micro. A middle section draws primarily on institutionalist approaches to the mobilisation and organisation of labour, documenting the diverse modes of integration of labour into capitalism. These meso-level analyses are bookended by analyses of the macro and micro organisation of capitalism that are compatible with these historical institutionalist analyses but that offer a development of the levels of analysis that are typically missing from institutionalist literatures. We examine both how ‘capitalism’ is formed from interacting institutional complexes and investigate how these capitalist institutional orders work within organisations and workplaces. In the concluding chapter we ask how these levels of analysis can be integrated in an overall ‘social systems of production’ perspective.

Alongside this theoretical goal, the volume asks whether such a framework can offer an alternative and improved account of the variation

within capitalism. Our empirical focus is on the European political economy with all the chapters primarily concentrating on national political economies within the region. Does a perspective which seeks to integrate political economy and production offer a different account of the operation of the varying worlds of capitalism within Europe?

Finally, these theoretical and empirical challenges raise methodological questions. These questions relate partly to the methods used most widely in carrying out contextualised workplace research. Many of the classic analyses have involved qualitative case studies (e.g. Dore 1986). How can such studies be better integrated with cross-national statistical evidence (e.g. Lorenz and Valeyre 2007; Holm et al. 2010) and comparative analysis of different national social configurations? Even more fundamentally, what is the overall frame of reference of these studies? The Varieties of Capitalism approach offered a timeless characterisation of two central types of capitalism – but its parsimony proved to be problematic. Can a richer perspective along the lines we have indicated avoid dissolving into the specificities of national cases? If so, to what level of generality can such an approach aspire?

We return to these questions in the concluding chapter. However, we briefly summarise in the rest of this chapter the outline of the book and the key themes of each of the empirical chapters that follow.

4 The structure of the book

The first section explores the macro comparative political economy of various forms of capitalism, with a particular focus on how production regimes are organised, the implications for the strength of labour and the differing ways in which labour and capital make compromises in different worlds of capitalism. Each of the chapters combines Karl Polanyi's focus on the 'double movement' between market liberalisation and the 'self-protection of society' with a Rokkan-inspired focus on the comparative historical analysis of the different forms that this double movement takes across national and institutional contexts. Lars Mjoset outlines in Chapter 2 a perspective on comparative political economy that combines the historical socio-political structuring of socio-economic outcomes from Stein Rokkan with Carlota Perez's analysis of shifting techno-economic paradigms within global capitalism – linking the emphases on national and sectoral dynamics outlined above. These twin processes are linked through the ongoing negotiation of Karl Polanyi's 'double movement' between market liberalisation and the self-protection strategies of social groups.

In Chapter 3, Flaherty and Ó Riain develop a similar perspective and use it to explore the distribution of national income between capital and labour in Ireland and Denmark since 1960. This approach allows the analysis to understand both the commonalities of capitalisms, by examining the effects on labour share of national income of international trends such as globalisation, union decline, and sectoral changes in employment, and the diversity within capitalism, by examining how these structural transformations are mediated and even constituted by national institutions such as party politics, welfare state spending, and levels of unionisation. The chapter shows the importance of work and production politics in understanding the varying logics of different national political economies, even under recent conditions of market liberalisation.

The following section moves to the meso level of analysis. It explores the social organization of labour markets, the crucial mediating process between the macro-politics of labour and capitalist development and the micro-politics of the workplace itself. In Chapter 4 Ciccia explores cross-national variation in the social structuring of labour markets through an analysis of the 'labour regimes' that shape the mobilization of labour into employment. She argues that the dual concepts of production and welfare regimes cannot fully capture the dynamics of labour in the political economy. Following Mingione, we need to also understand societies' labour regimes – the set of relatively coherent and lasting rules of social life that serve to mobilize labour in widely spread and socially accepted forms. These regimes have two key dimensions: *selectivity*, or the different degrees according to which groups defined by age and gender (women, youth, older workers) are integrated in paid work, and *standardization*, the prevailing 'shape' of employment relations and in particular its distance from the Fordist model of the organisation of labour into standard units of labour-time.

In Chapter 5, Ebbinghaus and Hofäcker examine a different dimension of the mobilisation of labour into employment – that is, the age and rate at which workers are generally 'de-mobilised' into retirement, with significant moves in recent decades towards older ages of exit from the labour force. This chapter explores two historical shifts – the first towards early exit as a widespread practice in developed economies since the oil price shock of the 1970s and the second consisting of the partial reversal of this trend in the past decade and the paradigm shift towards increasing older workers' employment. Strikingly, a number of countries with previously high rates of early exit have seen significant declines in these rates, including Sweden and even the rather 'locked' regimes of

Germany and the Netherlands. The exit of workers from employment represents a key point of intersection of life courses, employer production strategies and welfare regimes. The chapter provides an institutional explanation of cross-national regime diversity and the recent departures from a number of established national paths.

Murphy and Loftus's analysis in Chapter 6 also takes up the question of how production and welfare regimes intersect to shape employment outcomes. They use the Irish crisis as a case study to illustrate how government policy (intentionally or unintentionally) has enabled labour market precarity, reduced social protection and made the precarious more vulnerable. The chapter returns to the Irish-Danish comparison that started the volume by examining the Irish experience of labour market precarity in light of international experiences and the Danish model of 'flexi-curity'. The authors examine how changes to Irish social protection over the crisis made it less adequate in its role of protecting vulnerable workers in part time or precarious work and consider the relative significance of activation, conditionality and the issue of the availability of decent work in generating (and potentially avoiding) the precarity trap.

Following three chapters that explore how institutions of production and welfare shape employment patterns – in which labour is mobilised, into what forms of employment, over what periods of the life course and under what conditions of security and precarity – Ortiz and Riba's analysis in Chapter 7 explores how those workers negotiate their conditions once in employment. The chapter identifies models of trade unionism that differ with respect to the institutionalisation of trade union activity in the various spheres of industrial relations – including concertation, corporatism, collective bargaining, and workplace union activity. Three country clusters emerge that include systems of voluntarist industrial relations, classically corporatist countries with highly institutionalised systems of representation (and ironically fewer social pacts) and a group of countries that developed social pacts in the 1990s in the face of economic and monetary union.

The final section of the book moves to the micro level of the employing organisation, the work process within it and the economic outcomes for individuals. In macro accounts of the political economy and meso accounts of the social structuring of labour markets, the production process itself figures largely as a background factor that provides certain resources to capital or labour or which makes demands based on the pressures of production itself. The European social compacts of the second half of the twentieth century were most stable when they

involved the interlocking of these levels of political economy, labour market and workplace. This section focuses in particular on processes which are generating a delinking across these institutional levels and the new challenges that are being created.

The section starts at the organisational level of analysis. In Chapter 8, Behling traces the importance of welfare in the employment relationship and in the framework of welfare states. Traditionally, welfare has been seen as either the exclusive domain of states or the historical moment of industrial capitalism in which employers used welfare to increase their power and control over employees. However, welfare in companies has evolved in response to governmental welfare and was in itself a sparring partner of welfare states. Conceptualising the success of welfare as a high degree of decommodification is therefore inadequate; rather the question should be to what extent states and companies share welfare obligations. In Germany, an adapted version of social partnership governed the scope of employee welfare and its relation to the welfare state; in the UK, a continuous renegotiation of individual and collective responsibilities determines employee and governmental welfare, and how they interact.

Kristensen and Lotz's analysis in Chapter 9 examines the organizational experimentations involved in coordinating and constituting genuinely transnational production, producing forms of economic integration that are deeper and more socially transformative than international trade and exchange. In the process, they reveal fundamental differences between these emergent organisational forms and the welfarist employers of Behling's analysis. Many analyses of political economy assume a relatively standardized model of the firm and of production as well as the embeddedness of those processes in national level institutions. This chapter disrupts this assumption by investigating the interactions by which collaborative work arrangements and polyarchies of organization members (from diverse levels and groupings) in multinational firms are formed to come up with joint creative responses and innovations to challenges of the global economy. It shows how organization members co-create in innovative ways by coordinating work in non-hierarchical collaborative settings that cut across global divides and transgress traditional team structures – new 'network organisation' structures are linked inextricably with transformations in work itself. Simultaneously, new distributed management practices and roles are being created to support these highly interconnected global work arrangements. However, the new organizations largely prove either unable to generate the capabilities or unwilling to relinquish control to the degree necessary to develop the new forms fully.

Having seen how organisational change is embedded in the work process, Shire and Tunte's analysis in Chapter 10 shows how work and employment are transformed in these new organisations, through case studies of software and media labour markets in Germany. New market uncertainties generate dilemmas that cannot be addressed by firm-specific skill formation so that firms are now responding with deep inter-firm technical divisions of labor and with a greater reliance on external labor markets for specific skills and competencies. The forms of external employment vary significantly across the software and media industries and neither flexibility nor risks map easily onto the standard segmentation theories and their core distinctions between internal/external labour markets, functional/numerical flexibility, or core/peripheral workforces. There are considerable contradictions in the emerging practices as non-regular work becomes the regular form. However, new forms of labour politics and institutions are required as there is no return to the past forms of regulation. The flexibilities of the meso level institutions are grounded in the transformations of work, organisations, and the production process itself.

In Chapter 11, McGinnity and Russell examine the outcomes for individuals of these changes – linking together new forms of employment, workplace flexibilities, and macroeconomic crisis in an examination of how people reconcile work and family life. Using individual-level data from 18 European countries in 2004 and 2010, this chapter found that a wide variety of work and family factors influence work-family conflict experienced by employees in couples in Europe. The overall picture is of a modest rise in the four-item index of work-family conflict between 2004 and 2010. Various factors play a role in understanding this – most noticeably the rise in work pressure between the two years, but also the rise in unsocial hours and working overtime at short notice, and the rise in job insecurity. Other factors – like a rise in the proportion of employees with supportive work colleagues and a fall in working hours – counteract these changes somewhat, but play a much more minor role. Nordic economies experience least work-family conflict, explained largely by less exposure to recession, lower working hours, and better working conditions and experiences. The interacting factors of macro-level change, meso level shaping of employment and micro level work processes together are configured into quite different national regimes, with highly consequential outcomes for workers.

In the concluding chapter, we return to the key questions raised here in light of the intervening chapters and their analyses across multiple levels of the intertwining of political economy and work.

2

A Varieties Approach to the Varieties of Capitalism

Lars Mjøset

1 Introduction

The Cold War world of systems competition between socialism and capitalism is long gone. Today we have only varieties of capitalism. It is thus all the more important to develop the study of these varieties. The Varieties of Capitalism (VOC) school is content to demonstrate, by means of handy constrained optimisation models, that there is an alternative to the liberal market economy model (LME). LME and its opposite, the coordinated model (CME), are defined by different complementarities (Hall and Soskice 2001). While it is comforting that there is an alternative to liberal models, it is regrettable that the study of varieties has been reduced to the study of a crude dualism.

We shall approach the question of the varieties of ‘advanced’, Western capitalism from a position that is methodologically and theoretically opposite to this dualist approach (Mjøset and Clausen 2007). We start from the methodology of macro-qualitative comparisons, implicit in the late work of Stein Rokkan. We investigate whether this methodology can help us build a framework of analysis even though we ask the research questions of contemporary political economy, rather than Rokkan’s political sociological ones. We find that while Rokkan’s own, substantive study of mass politics can be part of this framework, we also need to draw on other macro-historical frameworks. We then consider other frameworks – within political economy, historical sociology, and international relations – that allow us to investigate political economy research questions while maintaining sensitivity to more than two varieties of capitalism. In this chapter, we critically rework two additional frameworks: Karl Polanyi’s work on mobilisation and transformations, as well as Carlota Perez’ work on long surges. At the end, we briefly sketch

a synthetic macro-comparative framework that integrates elements from Polanyi, Rokkan, and Perez. This is surely just a tentative, first cut scheme, but we conclude by briefly indicating how it may be used to address core research questions in contemporary political economy.

Rather than approaching history from the vantage point of thought experiments and simple stylised facts (Iversen and Soskice 2009), our study of varieties is bottom-up: grounded, macro-historical, and comparative. The number of varieties is open. If we are to establish broader typologies (such as Nordic welfare states, or Anglo-American LMEs, or Southern European countries), they must be grounded in a study of the various units within such types, as well as on specified comparisons with cases *outside* of that group.¹ Even the smallest of these countries are *huge* and *complex* cases, and their internal processes are important to and a function of the interplay between organised social groups. We work with typologies and periodisations that may guide comparisons in such cases. The main units are states, but analysed in a broader context of world economic development.²

2 The Rokkan style of macro-qualitative comparison

Pursuing a grounded, macro-comparative study of varieties, we can learn from one of the pioneers of post-war political sociology, Stein Rokkan (1921–1979). His substantive work is highly appreciated, but there has been much less attention to the methodological peculiarities of his style of macro-qualitative research.

Rokkan's (1999: 140) approach to state formation and nation building was 'multidimensional', combining economic (Marxian traditions), political/territorial (Weberian traditions), and cultural/ethnic/religious factors (Durkheimian traditions). In methodological terms, his emphasis on typology construction brought him closest to Weber. However, while Weber's typologies were only partly regional, Rokkan included geographical features more systematically. His most ambitious methodological tool was the definition of a *regional grid*, a periodised list of explanatory factors which he developed for Europe ('The Model of Europe', Rokkan 1999: 136f). He called the grid a 'checklist for the construction of typologies' (Rokkan 1999: 126), since it can generate a large number of typologies, tailor-made for explanations of state formation and nation building processes in a particular region.

Rokkan's grid starts from a historical periodisation on the vertical axis and classification into economic (E), political (T – territory) and cultural (C) factors on the horizontal one. It has three modules: (1)

ECT-periodisation of European developments from the Middle Ages to ca 1800, (2) 'intervening process variables', that is the interaction of the national and industrial revolutions to the 1950s, also specified as E, T, C, and (3) outcomes, specified as the variety of political systems, or as he liked to put it: *the structuring of mass politics* in Western Europe. He worked with 16 Western European case countries: Iceland, Norway, Sweden, Finland, Denmark, Germany, Belgium, France, Netherlands, Austria, Switzerland, Italy, Spain, and Portugal.

Rokkan had a strict criterion for inclusion of factors in (1) and (2): '[...] no variable can justify its position in the scheme simply because it helps to describe the conditions in one particular system at one particular stage: to qualify for inclusion in the analysis a variable must specify a necessary or a sufficient condition for a patent difference in later-stage outcomes between at least two distinct systems' (Rokkan and Hagtvet 1980: 136; Rokkan 1999: 141). The outcomes (3) are organised as a six-fold table of dependent variables: processes that – between the 1930s and 1950s – led to the 'frozen' party systems of Western European mass politics in the 1950s and 1960s.

This analytical approach is grounded in the *history of the area in which the state system evolved*. Generalisations are not proposed in the form of general theory, but in the form of contextualised patterns, specific to the historical region studied. Rokkan wanted 'to balance contextual totality against systematic parsimony. No single explanatory or intervening variable can be linked up with a dependent variable in isolation from the context: whether across systems or across stages' (Rokkan and Hagtvet 1980: 136; Rokkan 1999: 141).

Rokkan invented the regional grid just before he died. He had earlier worked with typologies that he called 'conceptual maps'. These two-dimensional maps combine a limited number of explanatory factors: 'a schematized system of co-ordinates generated through the combination of one territorial, one economic and one cultural variable' (Rokkan and Hagtvet 1980: 136; Rokkan 1999: 141) *chosen from* the grid. All Rokkan's maps related to European geographical and historical peculiarities: the horizontal dimension always involved the 'seaward/city belt/landward' distinction, while different variables were chosen for the vertical dimension. Rokkan's (1999: 142, Fig. 13) 'master' map represented 'the fundamental asymmetry of the geopolitical structure of Europe' (Rokkan 1999: 143): a horizontal, socio-geographical east/west dimension combined with a north-south dimension depicting church/state-relations as conditions of nation-building (Protestant in the north, religiously mixed in the middle and Catholic in the south).

The map allowed Rokkan to sketch answers to the research questions he most frequently posed. But in some of his last writings, he posed slightly different research questions. For instance, he investigated cases such as the Weimar republic, Italy and Spain, aiming to explain why democracy broke down into authoritarian rule in the 1930s (Rokkan 1999: 235–243). On these occasions, he derived modified versions of his master map from the grid (Rokkan 1999: Figure 44–45).

The conceptual maps are typologies that plot cases into a conceptual space. They are strengthened empirically by comparisons, either in pairs or of larger selections of political units. These comparisons rely on both quantitative data and historical process tracing (historical monographs and area study cases). In ‘any concrete comparison’, Rokkan (1999: 127) stated, the primary task is to single out the ‘most parsimonious configurations of variables required in the explanation of the differences on the given dependent variable’.

The regional grid is Rokkan’s most original methodological innovation. Certainly, Weber’s enormous catalogue of typologies can be used in the same way as the conceptual maps, but Rokkan’s principle of a typology-generating grid is new. He also captures the dynamic between typologies and case-work that allows comparative historical social science to address quite specific developments in singular cases, by means of comparison with selected other cases (for this, see Mjøset 2006).

Given the scant attention to the methodological peculiarities of Rokkan’s late work, there is much left to develop and clarify. However, our question in the following is whether we can work with this kind of comparative-historical methodology even if we switch from Rokkan’s topic of mass politics structuring to the research questions that are driving the political economic study of Western ‘advanced’ varieties of capitalism.

3 Political economic research problems

Any decent social science study of macro-developments displays a certain elasticity with regard to the research questions asked. Political economists can specialise in the minute adjustments of economic policy making, decisions made in networks involving policy making elites (ministers, bureaucracies, parliaments, experts) within countries of interest. They may deal with the details of production regimes in one country, in selected countries, or in a region over the last decades. But political economists are also interested more broadly in the fate of the West, of the Rest, of the world economy as such. Shifting the

emphasis from the details of their cases to the overall context, they may for instance ask whether all CMEs eventually will be transformed into LMEs, or alternatively, whether complementarities will reproduce this dualism in the long run (Thelen 2014).

Rokkan's substantive work on party systems certainly does not give us the whole political element in political economy. The same goes for economists who try to model political business cycles by means of simple 'maximise votes' constrained optimisation models. There are several other crucial institutions in between government and the dynamics of the real economy. Furthermore, economic performance is not just a function of domestic institutions, it must also be linked to international economic processes that are more or less beyond governments' control. Finally, although parties play an important role in mass politics, there are also the mass movements mobilising ahead of, or in spite of, the parties.

The term that synthesises these political elements is *legitimacy*. The broadest research problem in contemporary interdisciplinary political economy is the extent to which governments, parties, and social partners are able to combine the concerns for legitimacy and accumulation.³ In the high growth post-war Golden age this was posed as the question of *adjustment capacity*. Could the governments cope with the 'democratic capitalism' challenge that arose as mass politics stabilised? Did they have the capacities to pursue flexible adjustment to square the imperatives of socio-political legitimation and socio-economic restructuring?

The accumulation/legitimation research problem can be connected to two distinctions: structure *versus* institutions and national *versus* international. The latter distinction is obvious. 'Structure' and 'institutions' is a relative distinction, as in 'inert' versus 'less inert'. Institutional patterns *may* change very rapidly, while structural ones change more slowly. Given the tension between legitimacy and accumulation, we can specify the distinction as such: The layer of private firms play an important role, one that is not entirely dictated by the firms' national institutional surroundings. If we study small open economies, their integration in the world economy through a limited set of predominantly resource-based export sectors, responding to terms of trade movements, illustrate the notion of national economic structure. We must consider both institutions and structure at the national level. At the international level, there is adjustment pressure from structural change due to changing technologies and uneven development. But even at that level there is a layer of institutions, international regimes (Ruggie 1982), covering issue areas such as monetary matters, trade,

security, human rights, and environmental risk. This yields a simple fourfold table.

Rokkan's substantive work on his 16 cases gives us just one set of national institutions, one out of several items in Table 2.1's lower right-hand cell. Party systems are but one among several potential explanatory factors of relevance to the political economy accumulation/legitimation outcome.⁴ Conversely, within political economy we find explanatory factors that will help explain Rokkan's structuring of mass politics outcomes. In his regional grid for Europe, the preconditions period is thoroughly periodised, but not the long period where the 'effects' of the industrial revolution is supposed to 'intervene'. For the periods after the industrial and national revolutions, Rokkan argued in minute details about party systems, linguistic culture, and mobilisation of subordinate groups to pass the thresholds blocking their full representation and influence of government (see Table 2.5, mass politics column). But he ticked the whole history of modern capitalism into one out of six boxes of 'intervening process variables', which cover the 'interaction of national with industrial revolution'. That box is briefly characterised as 'rapidity, localisation of *industrial growth*' (Rokkan 1999: 137). In other words, for the industrial period, *Rokkan had no regional grid*, despite the fact that this might have turned out to be important for his analysis of the shift from a turbulent (1930s) to a frozen and stable (1950s) kind of mass politics.

Given that we ask political economy research questions, this neglect of economic development phases *after* the industrial revolution must be corrected. We need at least four additional frameworks, one for each cell in Table 2.1. They are linked to local research frontiers on techno-economic paradigms, hegemony in international relations, national

Table 2.1 Basic elements of a systematic framework

	Structure	Institutions
International	Adjustment pressure as a result of structural change (techno-economic paradigms)	International regimes and hegemony – presence or absence of one superior 'stabiliser' among the great powers
National	Country insertion into the international division of labour, development blocks	Complementarities between institutional complexes

Note: This is a simplified version of Table 2.1 in Mjøset (1990).

innovation systems, and institutions connected to the defence of labour, money, and resources at the national level (see also Table 2.5, below). Since this chapter is a brief, programmatic sketch, we shall have to be even more selective. Our main focus will be international structures and national institutions. While international institutions and national structures will be discussed, those frameworks are not presented in great detail.

4 Techno-economic paradigms – international structure

We need to consider frameworks that help us specify how the industrial revolution diffused across the Western economies, including Rokkan's 16 case countries. Research in this area has traditionally combined Marx's focus on productive forces and relations of production with Schumpeter's emphasis on turning points in the history of radical technologies. The most synthetic present contribution to this local research frontier is Perez's (2002) study of long surges, which specifies both techno-economic and financial aspects of the external challenges and constraints on nation state adjustment. Perez enriches the neo-Schumpeterian tradition with an inclusion of the financial sphere in line with Minsky's analysis of financial instability.

Perez reconstructs the Schumpeterian long waves as *long surges* (cotton, railway, heavy engineering, auto-industrial complex, and ICT), summarised in Table 2.2. She disaggregates each surge into four phases. When a new radical technology is installed (see Table 2.3), it first irritates, then a frenzy phase sees financial capital divorcing entirely from production capital. Following a major crisis, a turning point leads to regulation, so that during the deployment phase of the new radical technology, there is synergy ('Golden Age') in which financial and production capital combine to generalise the new techno-economic paradigm. Such paradigms are the set of best practice principles – in terms of technology, economics, management, and institutions – that guides the diffusion of each new radical technology (Perez 2002: 7). Finally, in the maturity phase, financial capital again goes off on its own, now searching for new radical technologies as the old ones mature. The most recent historical case was venture capital searching for new high-profit outlets as the auto-industry had reached its mature phase, discovering ICT.

This is a substantive-qualitative model (see Mjøset 2009), like the Rokkan models. It provides a condensed summary of structural changes in the core countries of the world economy. These changes – related to the diffusion of a techno-economic paradigm – represent structural

Table 2.2 Five great surges of growth and five major technology bubbles

Big bang: year and core country	Great surge (S1–5)	Major technology bubble(s) in installation	Collapse year and country	Deployment
1771 England	The Industrial Revolution (mechanisation and water transport)	Canal mania	1793 England	Great British leap
1829 UK	The age of steam and iron railways	Railway mania	1847 Great Britain	Victorian boom
1875 UK, USA, Germany	The age of steel and heavy engineering (civil, chemical, electrical, and naval). First globalisation	Multiple bubbles from build-up of world infrastructure for global trade in commodities (steel railways, steamships, ports, telegraph, etc.) financed mainly from the City of London	1890–1893: Argentina (Baring crisis), Australia	Belle Époque (Europe), Progressive Era (USA)
1908 USA	The age of the automobile, oil, and petrochemicals	Roaring twenties	1929 USA	Post World War II boom
1971 USA	The age of information and digital communications. Second globalisation	Double bubble: internet mania followed by financial boom of the 2000s	2000 and 2007–2008 USA	A sustainable global knowledge society boom?

Source: Perez 2009: Table 1.

challenges that all countries must face whether they are early or late developers, large or small economies.

The institutional order in international relations (Table 2.1, upper right cell) impacts on the world economy. Within political science, international relations studies whether the international ‘anarchy’ of states can be tempered by institutions. The sub-specialisation of international political economy has brought this study to bear on world-economic developments. Perez’s model works best for periods of undisputed hegemony in international affairs, as one dominant great power is the

Table 2.3 Dating of the sub-periods of the five long surges

	Installation			Deployment	
	Irruption	Frenzy (mania)	Turning point	Synergy	Maturation
S1	1770s/1780s	Late 1780s, early 1790s	1793–1797 [FRW]	1798–1812 [NW]	1813–1829
S2	1830s	1840s	1848–1850	1850–1857	1857–1873
S3	1875–1884	1884–1893	1893–1895	1895–1907	1908–1918* [WWI]
S4	1908–1920*	1920–1929	1929–1933 (43*) [WWII]	1943–1959	1960–1974*
S5	1971*–1987	1987–2001	2001–?		

Note: * Overlaps; Shaded area, see comments in text. In brackets: great power wars: FRW – French revolutionary wars 1792–1802; NW – Napoleonic wars 1803–1815; WWI 1914–1918; WWII 1940–1945.

Source: Perez (2002): 57.

closest one gets to a world state. In the long surge periodisation, S2, as well as the deployment phase of S4, and well into S5, are such periods of hegemonic strength (Britain globally, the United States in the Western world) and global integration.

But in periods of unequal developments between two or more great powers that aspire to dominance, elements of international ‘anarchy’ gain importance. Such periods of fragmentation (war, blockades, and protectionism) are also periods of hegemonic transition. The shaded area in Table 2.3 – the era from S3 maturation (end of Belle Epoque/Progressive Era) through S4 irruption and frenzy – represents such a period. It is hard to discern a clear cut transition between the two techno-economic paradigms through that sequence of world wars and fragmentation. Britain was losing its dominance in the real economy, challenged by the United States in the Atlantic area, and by Germany on the European continent. These three great powers competed for hegemony with different ‘models’ representing three distinct varieties of capitalism (British liberal, US Fordist, and German state interventionist models). To understand this international situation, we must combine Perez’s scheme with a hegemonic cycles model tracing hegemony-shifts through unstable periods of great power war and unequal developments (Goldstein 1988; Modelski and Thompson 1988; Mjøset 1990; Arrighi 1994). We know that warfare is related to technological breakthroughs (McNeill 1982). We also know (Tilly 1990) that warfare is related to extension of citizens’ rights. This provides a connection to Rokkan’s types of democratic mass politics.

5 Polanyi's self-defence of society – national institutional complexes

Although Rokkan did discuss institutions of importance to economic policies and planning in some of his more detailed country studies (Rokkan 1966), he prioritised research problems that made it unnecessary for him to define a place for such institutions in his conceptual maps. Many strands in recent institutional literature are relevant to compensate in this respect (Thelen 2014). Here we shall only discuss a framework based on Karl Polanyi's *The Great Transformation*, published as far back as 1944. Pending certain revisions, Polanyi's analysis of institutions relating to labour, money, and resources proves a valuable contribution even to the analysis of present-day varieties of capitalism.

Polanyi did not conceive of 'liberal' economy as a type opposed to 'coordinated' (as in VOC), but as a program pursued by more or less influential networks of policy makers and intellectual experts. Introducing terms he did not employ himself, a *transformation* can be understood as a sequence of institutional designs. He specified it as a *double movement*, one that in our terms can be defined as follows: The first, 'liberal' movement is any attempt at institutional design that implicitly or explicitly applies the ideal of the self-regulating market as the sole benchmark. The second movement is the response: acts of social mobilisation and/or elite/expert-based proposals that lead to institutional designs that embed the market in redistributive institutions that defend labour, money, or resources – thus responding to the imperative of legitimisation.

The term 'institutional design' may sound awkward. It is more common to analyse the second phase with reference to social mobilisation, which gives a special meaning to the term movement. Even for the first phase, one can argue that a political alliance suggesting liberal schemes reflect a socio-political movement. Mostly, it is an elite offensive. It also includes an element of expert knowledge, in complicated ways blended with ideological convictions. As we shall soon see with reference to the management of monetary systems, this is frequently also the case for one type of second phase movement. For this reason, we stick with the awkward term, and frequently also use 'response' rather than 'mobilisation' when discussing the second phase.

Portraying the ideas behind liberal visions of institutional reform, Polanyi referred to classical British liberal voices around the Napoleonic wars, as well as to the Austrian neo-liberal school of the twentieth century interwar period (Mirowski and Plehwe 2009). The overarching classical liberal idea (as stated by Adam Smith) was that markets ('truck

and barter') are natural. God had created an overall natural order, and the study of political economy showed how human nature, left to itself, spontaneously created order in human householding activities. The generalisation of market principles was a natural movement, only to be corrupted by special interests, by the interests behind mercantilism in Smith's case. As the liberal, anti-mercantilist program was launched in Britain in the late eighteenth century, the market was for the first time in history turned into a generalised ideal.

The Austrian neoliberals of the early twentieth century understood that the liberal vision depended on state action. If humans did not live up to their alleged 'nature', the state should pursue institutional design with the self-regulating market as the sole benchmark. While Smith had feared the old state, the neoliberals feared the new class, and if mass democracy allowed that working class to gain executive power, political philosophers should think about ways to restrain democracy. The intellectual right-wing here gave an early statement of the core political economy research problem outlined above.⁵

Polanyi challenged such individualist perspectives by turning the neoliberal position on its head: He claimed that liberal designs emerged under highly peculiar historical circumstances, while the response was general. Whenever a liberal reform was proposed and to the extent it was implemented, a response would necessarily arise, without exception, since liberal institutional designs would threaten the 'substance of society'.

Polanyi wrote *The Great Transformation* as an émigré Hungarian intellectual in the Anglo-American sphere at the end of World War II. This extraordinary situation led him to state some of his insights in too extreme terms. The book was hurried into print in 1944 because Polanyi wanted to warn against the neoliberal diagnosis, spread by Hayek (1944) in *The Road to Serfdom*. Hayek argued that any program for post-war planned, mixed economies would self-destruct into authoritarian, Soviet-like regimes.

Eager to counter this analysis, Polanyi in some statements aggregated all his evidence on liberal offensives and regulatory responses into a broad picture of *one great transformation*. This strengthened his message that in the near post-war future, a regulatory movement would displace any liberal offensive, since mass democracy was compatible with capitalism. This prediction was spot on, Hayek was wrong. But some of the long lines that Polanyi drew, were not sound contextual generalisations.⁶

This makes Polanyi's work a strange mixture. It contains some exaggerated, dated claims, hurried efforts to support his all-out attack on the

neoliberal position, but also a sound analysis of institutional embeddedness in complex, industrial societies. We can use his main concepts today, but three revisions must be made. First, we must specify his own disaggregation of the term 'substance of society'. Secondly, we must turn his claims about *one* great transformation into an analysis of several transformations. Thirdly, we must abandon the artificial/natural distinction, instead treating both phases of the double movement symmetrically as results of specific historical processes. In the following, these three revisions are specified.

At his most moralistic – he was a Christian socialist with Quaker sympathies – Polanyi held that liberal strategies would destroy 'the substance of society'. The *first revision* is necessary because this Durkheimian streak is a theoretical deficiency of his framework, forcing him to conceive of society as an organism that can die. The point, however – commonplace in all criticisms of functionalist social science – is that societies do not die, they change, and any 'threat' will lead to some kind of response.

Polanyi specified the substance of society as consisting of three elements: labour, money, resources (land). While labour and resources can be seen as the substance of any society, Polanyi added the element of money to get at the fundamental elements of any industrial society. His famous formula is that none of these elements can be turned into commodities. Just like labour (children) were not born to be supplied to the market, neither did our planet and its resources evolve for that purpose. With reference to money, the argument is different. It brings out the importance of credit for the maintenance of the techno-economic substance of modern societies, whether we are dealing with capitalism or non-capitalist varieties of industrial development. In any such society, there must be institutions that manage the supply of credit to finance huge, inert material structures of machinery and infrastructure. Liberals wanted to stabilise monetary economies by linking the supply of credit to the supply of the commodity gold. In contrast, Polanyi argued that the history of gold standard periods (in Britain and internationally), showed that such a liberal design would undermine these basic industrial structures.

Polanyi provides an interesting twist on the classical opposition between sociology and economics: labour, money, and resources are critical areas in complex, industrial societies. They become issue areas for the formation of institutions of crucial importance for the accumulation/legitimation-tension in any variety of capitalism during the rise and consolidation of mass democracy. His crucial argument was that these fundamental elements had to be protected from the market mechanism.

In earlier times, markets had always been embedded in social institutions reflecting principles of reciprocity, redistribution, and house-holding. Since Polanyi emphasised the peculiar circumstances in which liberal programs emerged, he implied that non-liberal types of capitalist, industrial societies could emerge directly. In VOC terms: besides LMEs, CMEs could also develop. Historically, this was known as the idea of 'selective decoupling' to nourish infant industries (linked to the name of Friedrich List, cf. Senghaas 1991), pursued by both Germany and the United States, acting as latecomers challenging the first mover and hegemon, Britain. Bismarck's Germany is the most famous case, even before mass politics. In this variety of capitalism, early, paternalist welfare arrangements were crucial measures *from above*. They aimed to protect labour while trying to bar the autonomous political organisation of labour, as in Bismarck's 'socialist laws' 1878–1890.

Principally, if labour, money, and resources are protected by decom-modifying institutions,⁷ the market mechanism may well serve transactions involving all other elements, since these are products actually produced for the market. This was also Polanyi's general vision of the post-war period. Given the way mass politics had developed, the organisations of the labour movement would play a major role in the development of the organised capitalism that he correctly predicted.

As for the early efforts to establish LMEs, Polanyi agreed with his neoliberal opponents. While in a theoretical definition, a self-regulating market is one that turns labour, money, and land into commodities, even the closest real life approximation to this ideal requires extensive political intervention. Since markets for labour, money, and resources had historically always been 'embedded' in institutions, attempts to 'disembed' them were just other ways of embedding them. Before mass politics, this was done as institutions (often legislation) certified by the state (with its monopoly of legitimate violence) clamped down on efforts to resist commodification (e.g. the British post-Napoleonic attempts to prevent workers from resisting the 'iron law of wages').

Our first revision seemingly rescues the LME/CME-dualism, but the next two revisions require us to search for more variety. The *second revision* does away with Polanyi's aggregation of 150 years of history (from the industrial revolution to World War II) into *one* great transformation. From the early liberal offensives in Britain during and after the Napoleonic wars, liberal offensives created a multitude of double movements. Once we distinguish responses in the three critical areas of institutional design, we see that double movements depend on the area studied and on the result of earlier transformations. Responses to

commodification came both from below and from above, or in some combination of the two (cf. also Table 2.5, below).

The labour movement's struggle for the right to form unions and later for collective bargaining are important instances (an early case was Chartism in Britain) of responses in the form of mobilisation from below. While some welfare state institutions of social protection were established from above (cf. Bismarck), under mass politics (Rokkan's topic) mobilisation from below became very important, pushing in favour of institutions that secure redistribution.⁸

Other responses were elite actions, in response to unanticipated consequences, as when situations of economic turbulence and frenzy forced central banks to pursue monetary policies (open market operations, management of interest rates) in order to prevent the wiping out of too much productive capacity.⁹ Even the early British Peel Bank Acts (1844) had such features. In the early post-war period, the Bretton Wood gold-dollar system organised international payments in a way that displaced the gold standard restrictions. These were responses from above, to some extent they remain more exclusive, economic-technocratic routines, less correlated with party-political differences.

Responses from above or below may also be combined, as in cases where the state agrees with primary sector interest groups to regulate for example agriculture. An example is post-war Golden age non-liberal policies to sustain the agrarian sector, despite the growth in secondary and tertiary employment.

Interpreted in this way, protection of the three critical elements is about running capitalism in a *legitimate* way. Although his analysis was published in 1944, Polanyi foresaw a win-win coexistence of democracy, interventionist economic policy making, and capitalism. Some scholars today retrospectively judge that period as the one in which democracy and capitalism was as compatible as never before or after (Streek 2011). What Polanyi did not predict was that such a coexistence would thrive under the institutional umbrella of Cold War geopolitics. His terminology was later borrowed by Ruggie (1982), who labelled the 1945–1975 period as one marked by *embedded liberalism* in the Western/Atlantic international sphere, pointing to institutions such as Bretton Woods and the political integration of the labour movement in Cold War Western Europe.

Table 2.4 illustrates the relevance of Polanyi's threefold distinction for the analysis of post-war developments. For each of Polanyi's elements (critical areas), it first lists some famous liberal ideals. It then specifies properties of the 'self-defence' (second) phase of the double movement

with reference to relevant aspects of post-war advanced capitalist economies.

This brings Polanyi's core point about labour, money, and resources as non-commodities to bear on the political economy research question sketched above. If decisions in economic, social, and environmental policies are pursued with the sole aim of enforcing pure markets for

Table 2.4 Specifying Polanyi's 'self-defence' of labour, money and resources

	Liberal ideals of the self-regulating market	What specific threat of destruction are at the root of the self-defence?	Extent to which social movements are involved in the self-defence?	What types of institutions (public policies, regulations, and legislation) are influenced by the self-defence?	What expert-knowledge/disciplines are consulted/mobilised?
L	'Iron law of wages', subsistence wage.	Destruction of labour, the human basis of industrial production	Labour movement, a classical social movement: strong, well institutionalised. Later also the women's movement	Welfare state, incomes policies, work life regulations, fiscal policies, innovation policies	Social science, work life research, welfare research, economics
M	Money supply anchored in gold supply (national level or globally)	Destruction of the techno-industrial basis of growth and transformation	Concern voiced by state and elite groups responding to unanticipated consequences. Popular mobilisation secondary	Central bank, fiscal policy, monetary policy, financial supervision authorities	Economics
R	Nature is at unregulated disposal for use by private business interests	Destroys the natural basis of industrial production, creating <i>waste</i> that eco-systems cannot recycle. From local to global (warming) problems.	The environmental movement. A 'new' social movement. Not as strongly institutionalised as the labour movement. Also voiced by the state and by international institutions (regimes).	Climate policies, industrial policies	Physics, meteorology, social science

labour, money, and resources, the legitimacy deficit will spur mobilisation and/or regulation, weakening the ruling elites or mass parties that pursued such reforms. Democratic mass politics allows parties that win elections to move into executive positions, and elite/expert views support new interpretations of current developments. Historically, we know that the whole Keynesian revolution and neoclassical synthesis of early post-war economics went against Hayek, trusting the compatibility of democracy and capitalism.

The *third revision* concerns the symmetry of the double movement. Both Polanyi and the liberal political philosophers he opposed saw the double movement as asymmetric. They only differed in the question of whether the first or the second phase is 'natural'. But we must untie Polanyi from principal struggles in political philosophy. If both phases are programs of institutional design, they are both historically specific.

Double movements are not just specific to elements, but also in time and space since the industrial revolution. Polanyi's claim that responses to 'artificial' liberal designs are inevitable, allows him to move *too flexibly* between various levels. In the various parts of his book he analyses national British developments since the industrial revolution (part 2), international relations during the classical gold-standard period (part 1), and regional central and eastern European developments (part 3) in the interwar period. He never pursues systematic comparisons disciplined by reference to historical periodisation.

Clearly, one transformation builds on the accumulated results of earlier transformations, since these are not fully reversible. Early nineteenth century liberal Ricardians and Malthusians in Britain would model workers as animals who would breed a surplus population creating famine and disaster if they were granted more than a subsistence wage. In contrast, Norwegian liberals in the twenty-first century understand that the central trade union movement is not a force that can be banned, it rather plays a stabilising role in complex wage settlements. Obviously the two are different cases of capitalist industrial societies. While there are present day Tea Party activists in the United States who insist that world monetary instability can only be solved by a new gold standard, the decision making liberal elites behind US monetary policies are only too relieved that they may be able to inflate the country out of indebtedness by quantitative easing (QE) and a downwards floating dollar with no gold anchor.

In sum, we must think in terms of a matrix, with resources, money, and labour horizontally, and various periods vertically. Since the diffusion of leading technologies is an uneven process, we must also consider

regions and groups of countries in their specificity. Our discussion here has been limited to the Western Atlantic area.

Revising Polanyi as indicated above allow us to study just the national institutions that Rokkan did not include in his framework. To the extent we are interested in the study of clusters of countries – say, the five, small Nordic countries, or maybe some of the large economies, say the US as the older, and China as the present ‘workshop of the world’ – we also need frameworks to analyse the internal economic structures of these economies. This, as noted, is a topic we cannot pursue further here.¹⁰

6 Combining comparative frameworks

Table 2.5 provides a tentative combination of the frameworks we have surveyed above, with a focus on the analysis of national institutions (Table 2.1). International structures and institutions are reduced to a

Table 2.5 A periodised combination of national institutional frameworks

International		Institutions/national			
Structure	International institutions	Social movements (from below)		State/elite action (from above)	
Surges	GPW	Mass politics	Labour	Money	Resources
S1 1810s on	FRW NW	Legitimacy	Assembly/ petition	Domestic gold standard	Mobilisation of farmers/peasants
S2 1840s on			Associationism		
S3 1880s on	WWI	Integration/ representation	Labour unions Collective bargaining	The international gold standard, inter-war failure	Concessions, national protection
S4 1930s/1950s on	WWII	Executive power	Reforms from above Economic experts Middle class mobilisation	Repressed finance, interventionism ('Keynesian')	Primary producers included in national corporatist structure
S5 1970s on			EU single market	Deregulation of domestic and international capital flows. EMU. Frenzy	Global warming, UN international regimes

Notes: GPW – great power wars, see note to Table 3 above. *Mass politics*: Rokkan 1999: III.2 on thresholds that have to be passed by the mobilisation of subordinate groups. *Money*: Gold standard in S3, S4 are international institutions, but we refer to the domestic repercussions, such as the tensions around ‘Treasury view’ kind of economic policies. Shaded area: see the text.

periodisation that combines a revised version of Perez's long surges with cycles of global wars. The development of national institutions is specified with reference to Rokkan's analysis of mass politics and Polanyi's three non-commodities (land, money, and resources).

All along, our aim has been to suggest a framework that allows us to compare a real variety of 'varieties', not just two formalised models of capitalism. Following the critical survey of candidate frameworks above, our program can now be stated as follows: We need to compare *transformations* created by elite offensives and mobilisation/responses from both above and below, relating to the three non-commodities labour, money, and resources before and after mass politics in the case countries we sample. These comparisons of national institutional complexes must be further underpinned by accounts of national structures. For reasons of space, these structures cannot be covered in this presentation.

This framework does not imply 'methodological nationalism', since the international context can – when necessary, at any point in the analysis – be included through the periodisation to the left of Table 2.5. This periodisation also aids the analysis of how earlier transformations often represent irreversible changes that condition later transformations. It should be noted, however, that crucial features of the international context can only be understood through studies of case countries of particular importance to the world economy. As we have briefly indicated above, these are 'workshop of the world' and/or hegemonic countries such as the UK, the US, and China.

Further specification of Table 2.5 would enable us to systematically integrate a number of studies of relevance to the comparative study of political economy models in the Atlantic/Western region, and to suggest relevant typologies. Here, we only have space to very briefly sketch three such specifications. They concern the long term, historical comparative analysis of capitalism in this region, the analysis of present-day developments, and the analysis of hegemony.

First, concerning the historical development of capitalism, we can briefly indicate some broad lines as we move forward in time and across the national institutional elements in Table 2.5. Referring to the shaded fields, the lightest one (mass politics/labour S1–3) covers the interaction of popular mobilisation and the structuring of mass politics, both mobilisation for universal suffrage and for the right to assemble and form unions and other associations. The end point is the S4 constellation, the result of worker mobilisation under mass politics conditions in the beginning of the post-war Golden Age. Mobilisation within mass democracy from then on relied on a set of 'frozen' institutions. State

interventionist capitalism had more elements of management from above. Labour became extensively involved in governments (coalitions or alone), at least in Western Europe (Korpi 1983 provides a differentiation with reference to working class strength). The international framework was Cold War 'embedded liberalism' (Ruggie 1982), and these were also the pioneering days of the mathematical economics/econometrics expert culture.

The somewhat darker field (money/S3–5) provide hints at the evolution of twentieth century interventionist, mixed economies. We could specify the emergence of modern monetary (and later fiscal) policies in conjunction with the transition from the fragile (interwar) to the stable (post-war, Bretton Woods) international monetary regime. There is no space for a more detailed account here. We can also relate the analysis of these institutions to the social protection and social partnership institutions analysed in conjunction with labour/mass politics, getting to institutional complementarities (virtuous circles) or institutional inconsistencies/tensions (vicious circles).

Finally, the darkest field (resources/S5) of Table 2.5 take us from the Atlantic/Western-European area back to the global level. It points to an entirely new development. Since the 1980s, and especially after 1990 in a post-Cold War setting, humankind has been made aware of ecosystem limits to the development of industrial society. The basic points are given in Table 2.4, and the role of natural science/social science experts is clearly even more important than the earlier responses related to labour and money. The science/UN-based climate change panel (IPCC) is a main feature of the present environmental regime. Since the S3 deployment phase, a fossil energy system (Sieferle 1990) has been a core feature of the resource base of the industrial system. For a long time, waste from the burning of such fossil fuel only had local consequences, one could always exit or tidy up, although for example the London smog in the 1950s involved excess deaths.

Since the 1980s, however, it is well known that reliance on fossil fuels have global repercussions in terms of climate change, possibly affecting conditions for life on earth.¹¹ Thus, if today's Beijing smog is not tackled faster than the London smog was (it took 30 years), the planet may pass tipping points with dire consequences for world climate. However, these effects threaten humankind only in the medium term, a time horizon too wide to affect the daily decisions of politicians in democratic political systems, at least given the way these have so far been organised. We recognise here how the basic research problem of democracy and industrial capitalism reappears in the contemporary setting.

Second, concerning the analysis of present-day developments, the framework can be employed with reference to many specifications of political economy research questions. The simplest formal structure of Rokkan's grid is this: a set of preconditions, 'intervening processes' (some form of marked structural change, not necessarily as broad as those quoted by Rokkan), and a set of outcomes. Recent comparative political economy initially focused on the 'shocks' of the 1970s (ICT 'big bang', but also oil crisis and the entry into a 'phase of cautious objectives' marked by lower average growth rates, Maddison 1991: 121). Recently the frenzy/turning point (financial meltdown) of 2008 emerges as a new candidate, but it should be understood in conjunction with changes in the international division of labour, notably the rise of China's economic power. However one defines the 'intervention', the specifically comparative task is to compare how the political economy models within a specific region have responded to recent changes (intervening processes). In some cases (the Nordic countries), it seems that virtuous circles have dominated recently, while in other cases (the Southern European countries), vicious circles have clearly prevailed.

Many findings in recent political economic studies of this region can be summed up using this scheme, and this could be a modest contribution to more cumulative research in the future. Many strategies of further research may be indicated. Here we shall just mention a few, narrowly restricting our examples to studies directly in the Rokkan tradition. Detailed nationally focused studies can employ Polanyi's approach to institutional analysis.¹² The framework can also be used to study a region such as for example the Nordic countries,¹³ or to pursue paired comparisons.¹⁴ The more ambitious goal, however, should be to develop more comprehensible, non-dualist typologies.¹⁵

Thirdly, as noted earlier, some of Perez's turning points are associated with hegemonic transitions. Presently, complicated unequal developments are going on: China has replaced Britain and the United States as 'workshop of the world'. Its financial relations to the US form a major axis of the world monetary relations. At the domestic level, China's non-democratic state coexists with capitalist dynamics 'on the ground'. Just like earlier 'growth miracle' countries, China experiences grave problems of local pollution related to fossil fuels (coal and oil). Reduced dependence on the fossil fuel regime will be absolutely crucial for the upcoming S6. Here one should ask what the chances are that China (a fourth of world population) will make a difference in terms of climate change policies. Success at the Chinese national level will matter for the global situation, both directly and indirectly, as it will set an example for others.

7 Conclusion

If Table 2.5 is a rudimentary grid, a political economy model of the Western-Atlantic economies, it differs from the grid that Rokkan established in a number of respects. First, it covers the period of industrial capitalism, not European early modern history up until the industrial revolution. The time difference between outcomes (present adjustments) and prehistory is less than in Rokkan's model. Second, it includes at least the United States, but perhaps also other countries connected to the West (e.g. the OECD-countries). Third, the intervening processes are less 'grand' than Rokkan's industrial and national revolutions. They are rather transitions within the Atlantic/Western system that was created by these changes. Fourth, as already discussed, it includes an international dimension that is relevant for more than just the Western European region.

More narrowly conceived, however, Table 2.5 is not a grid, not even a rudimentary one. The 'strict criterion' quoted above (early in section two) has not been applied. Rather than meticulously chosen 'necessary or sufficient' conditions for differences in the outcome phase, the items listed in the national sections of Table 2.5 are turning points that help us understand the formation of institutions in various fields. Table 2.5 cannot be seen as a conceptual map either, since Rokkan's maps combine variables from his grid to classify present day cases.

We reach the paradoxical conclusion that our efforts to apply Rokkan's methodology to political economy research questions have yielded a framework that does not directly fit either of his main methodological tools (grid, map). As it stands, it seems a hybrid between a highly stylised and compact history of (Western) capitalism and some kind of 'comparative catalogue' of its present varieties. It is in any case not much more than a sketch, although we have tried to account for both its methodological and conceptual analytics. Hopefully, we have still been able to give the reader a sense of the many interesting comparative options that present themselves when one pursues the Rokkan style of substantive-qualitative modelling as an alternative to currently dominant approaches in political economy.

Notes

1. We can think of this as a program relying on strong comparisons. At least four criteria must be satisfied: First, one must compare along a set of specified categories, reflecting properties of the cases, relative to the research question (which may be defined in broader or narrower terms). Secondly, other cases

of the same must be sampled. If the starting point is two cases (say, the U.S. and Germany), other cases of advanced capitalist countries should be systematically sampled and original findings (say the dualism LMEs versus CMEs) should be critically evaluated (considering the development of a typology). Third, one must conclude in terms of periodised, contextualized generalizations that maintain, improve and extend initial typologies. Fourth, a mixed methods strategy, that is a combination of qualitative and quantitative social research, is required.

2. It is possible to integrate both levels in the analysis. The social-philosophical criticism of 'methodological nationalism' (Beck 2000) obscures that simple point.
3. Interdisciplinary political economy – as contrasted with 'pure' disciplinary economics – has in the post-war period mostly been pursued in disciplines such as sociology, political science, and economic history. Crucial early statements on the accumulation/legitimation-tension are O'Connor (1973) and Habermas (1973). There are connections here to comparative welfare state studies (Korpi 1983, Esping-Andersen 1990, Huber and Stephens 2001), as well as to international political economy (Katzenstein 1985) and historical institutionalism (Thelen 2014).
4. It goes without saying that Rokkan's substantive analysis must be upgraded with reference to later research on the periods that he dealt with, as well as with reference to later periods. For instance, the question of new cleavages (possibly related to immigration and to environmental problems) is a crucial one.
5. Mirowski (2009: 446) quotes Hayek's 1981 statement that he would prefer 'temporarily to sacrifice, I repeat temporarily, democracy, before having to do without freedom, even if temporarily.' Mirowski provides an extended analysis relating present-day neoliberal offensives – using all the technologies of the ICT-era – to Hayek's concept of non-objective knowledge and his attempt at founding ideas of natural order in evolutionary reasoning.
6. Based on his Central and Eastern European experience, for instance, he claimed that liberal strategies were responsible for the fascist turn (and thus for the world war), since attempts to force the interwar gold standard system on this region had destabilised the young democracies, leaving the stage open to authoritarian and/or fascist political forces. Polanyi obviously wrote this as a warning to politicians and experts that would have a say during Europe's post-war reconstruction, but more recent comparative history provides a more nuanced interpretation, cf. Kommisrud (2009).
7. This notion was introduced (with direct reference to Polanyi) in Esping-Andersen (1990: 36). For a critical survey that in some important instances corrects Polanyi's analysis of crucial historical transformations (such as the Speenhamland legislation of 1795), see Block and Somers (2014).
8. Here is a link to the large social mobilisation literature (Tilly 1978, McAdam, Tarrow, Tilly 2001), as well as to the less homogenous, and often quite technical literature on economic policy making. There is even a connection to very contemporary challenges around global warming, as we show below.
9. This is where Perez's inclusion of financial instability into a neo-Schumpeterian framework matches Polanyi's focus.

10. We shall here only refer to some concepts we have found useful in our own analyses: Senghaas' (1985) notion of auto-centered development (cf. Mjøset 2007), related to the comparison of European core and periphery in the nineteenth century (Berend & Ranki 1982); Hirschman's concepts of forward and backward linkages (1977), anticipated in Dahmén (1950); neo-Schumpeterian notions of 'national innovation studies' (Lundvall 2002).
11. Polanyi certainly did not predict global warming. But he (Polanyi 1944: 184) noted 'the disastrous effects of the mobilisation of land' during S3, the high tide of Western imperialism. Free traders, he argued, had forgotten about the importance of land and agriculture for a country's geopolitical security concerns. He extended this argument to 'the conditions of safety and security attached to the integrity of the soil and its resources – such as the vigor and stamina of the population, the abundance of food supplies, the amount and character of defense materials, even the climate of the country which might suffer from the denudation of forests, from erosions and dust bowls, all of which, ultimately, depend upon the factor land, yet none of which respond to the supply-and-demand mechanism of the market.'
12. For a detailed application of this framework in a single case study, see Mjøset and Cappelen (2011), on Norway through S5.
13. Cf. Mjøset (2015). Given Rokkan's research problems, the way he analysed the Nordic countries as a module within his 'master' conceptual map (mentioned above), can be seen as paradigmatic, cf. Rokkan (1981).
14. In this respect, still given Rokkan's research problems, his paired comparison of Finland and Ireland may serve as an exemplary study, Rokkan (1970).
15. So far, many non-dualist typologies tend to converge on Esping-Andersen's (1990) threefold typology (in the study of welfare states), cf. Amable (2003), Thelen (2014), Pontusson (2005), and even Iversen and Soskice (2013).

3

The Variety of Polanyian Double Movements in Europe's Capitalisms

Eoin Flaherty and Seán Ó Riain

1 Introduction

At the core of capitalism is the struggle between capital and labour over the rewards of productive activity. This class relationship shapes the distribution of income and wealth in capitalist economies around the world and is itself shaped by multiple historical and institutional forces, taking many different forms in various workplaces at different times. It is shaped by the characteristics of labour, including its level of unionisation, mix of skills and social protection, and the characteristics of capital, including both the structure and strategies of firms and the mix of financial and productive capital.

In this chapter, we investigate how the distribution of income between capital and labour is linked to institutionalised national social contracts and economic organisation.

We do this through an analysis of these trends in Denmark and Ireland, two small open European economies that represent the social democratic and liberal institutionalised forms of capitalist organisation. We relate this central outcome of political economy to both the dynamics of capitalist organisation and the national institutional features that constitute and shape these dynamics. To understand these dynamics we use Polanyi's notion of the double movement of marketisation and the self-protective actions of society in the face of market forces. Therefore, our overall approach is to examine the forces shaping labour's share of national income in Ireland and Denmark by exploring how the institutional elements of marketisation and social protection combine in different ways in the two countries to form two quite different logics of Polanyian double movement. Through this, we seek to link the conditions shaping the organisation of labour and capital,

the struggles between them in various forms and the outcomes of those struggles.

After the erosion of the post-war capital-labour accord, and the ascension of liberal governments to power in the US and the UK, welfare retrenchment, labour market deregulation, and an emphasis on the free movement of capital became favoured policy measures, underpinned by the notion that top income accumulation would spur investment, and generate 'trickle-down' benefits. The promise of neoliberalism has not come to pass. US income inequality is now back to levels not seen since the great depression (Piketty 2014), and the world economy has rarely seen growth rates comparable to those enjoyed in the post-war era (Cheng 2011).

The share of national income going to employees and the self-employed has decreased steadily across Europe since the 1980s, under a variety of stressors such as globalisation, sectoral shifts in national employment, and the entrenchment of neoliberal policy regimes. Figure 3.1 displays a country-level breakdown of those member states for which a complete set of data were available for appropriate adjusted calculations. In contrast to the relative stability of the US series, many individual European countries exhibit a characteristic 'hump-shaped' distribution, with labour's share of income peaking during the early 1980s, before embarking on a sustained, albeit punctuated, period of decline. This trend characterises in particular the experience of Ireland until 2007, whereas Denmark's trend has been more stable. States thus appear to differ not only in their levels of labour share over time, but also in their volatility. How should we understand this general trend and its variation across worlds of capitalism?

2 The capital-labour antagonism

The relationship between capital and labour has once more become a central concern of political economy. Thomas Piketty (2014) has recently produced a provocative analysis of the historical dynamics of income inequality, concentrating in particular on the advanced capitalist societies of France and the United States. Piketty argues, contrary to the optimism of Kuznets' predictions of self-correcting inequality, that inequality is an inherent consequence of a functioning capitalist system. Worse still, the growth of capital's share of income, closely linked in recent decades to liberalisation of the financial system (Stockhammer 2013), appears to develop according to a simple law of accumulation, where the imbalance of capital income relative to that of labour increases as

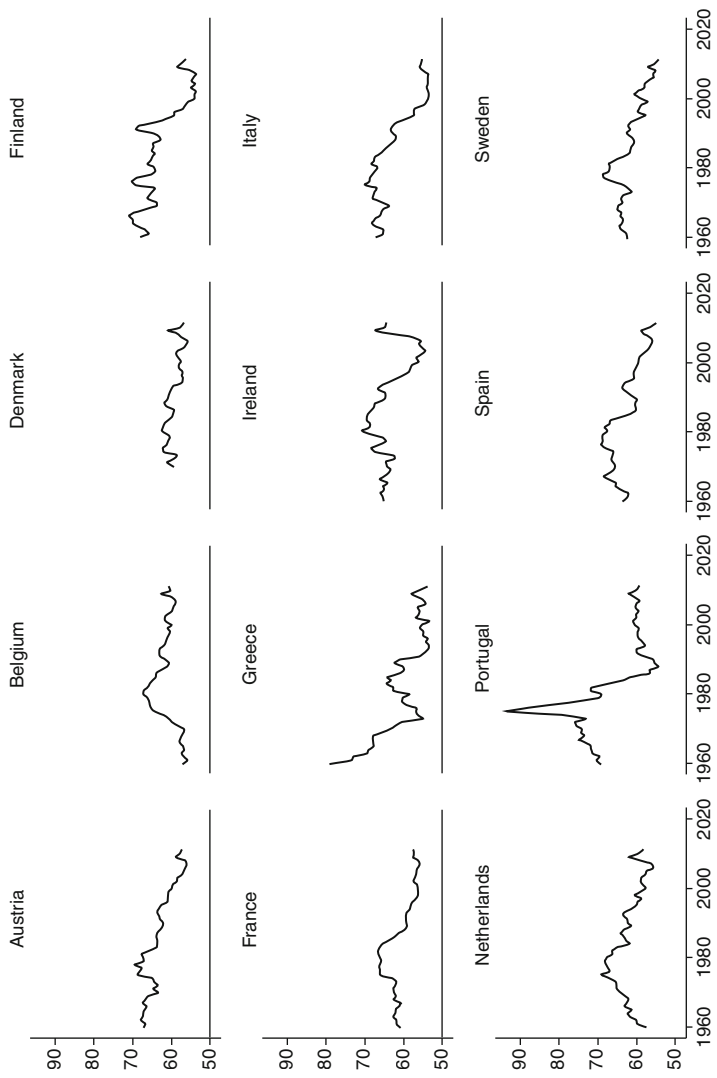


Figure 3.1 Labour share trends, selected European countries, 1960–2010

long as returns on capital investment outstrip those of economic growth. Under such conditions, phases of slower growth in advanced capitalist economies seem to fuel widening income gaps, particularly as financialisation increasingly replaced demand-management as the dominant logic driving capitalist growth. The long-argued impact of economic inequality on individual wellbeing suggests that the continued growth of affluent reference groups relative to low income cohorts could lead to a raft of social problems from crime to obesity and poor mental health (Wilkinson and Pickett 2009).

Harvey (2014) has argued that this growing disparity in income flows not only from the returns to capital but also from an antagonism between capital and labour. This antagonism is itself predicated on a range of institutions such as laws of private property and labour market regulation which confer a competitive advantage on privileged interest groups, and preserve the impression that such arrangements are part of a natural order. His prognosis is equally grim. By conceptualising inequality as a class issue rooted in this capital-labour antagonism, Harvey suggests that despite significant gains made by workers through struggles over working conditions such as pay, sick leave, and in-work benefits, income capture continues to grow through rent, privatised utilities charges, and rising credit dependence. Nowhere is this more apparent than within countries undergoing austerity, where social services such as education, water, healthcare, public safety, and welfare administration have been privatised (Harvey 2014: 67).

These general accounts have been well complemented by empirical studies on the determinants of income inequality. This research points to the importance of inequalities both between capital and labour, and within labour itself. Solow (1958) was amongst the first of many to question the assumption in standard economic growth models that workers should always receive a constant share of GDP relative to capital, suggesting that factors such as human capital endowments mattered as much for determining a nation's rates of economic growth as the sectoral composition of their economies, and level of development of their technology. Endogenous growth theorists have taken this latter assumption further, suggesting that technological inputs to the economic processes cannot be considered as exogenous to standard models. Instead, such authors suggest that levels of technology, and therefore growth rates themselves, depend closely on the activities of states, interest groups, and firms (Romer 1994). Explaining differing growth rates across countries therefore depends as much on considering their institutional, political, and policy makeup, as the sum of inputs to their production process.

If growth and distribution are shaped by institutions, then there must be many social and institutional sources of income inequality. Relative human capital endowments such as education, skills, social capital, and access to social networks, have long figured in accounts of inequality, but such factors seem to pale in comparison to the sustained upward growth and transfer of wealth identified by Piketty and Harvey. In their comprehensive review, Neckerman and Torche identify a number of common mechanisms such as selective income premiums accruing from technological change (the 'Skill-Biased Technological Change' hypothesis), weakened wage setting mechanisms, and 'rent destruction' of working class earnings (2007: 348). Others such as Beckfield (2006) lay substantial blame on macro-processes such as regional integration, which he claims promotes income inequality by heightening inter-country cost competition, and driving welfare state retrenchment. Tali Kristal (2010) has modelled the declining share of Gross Domestic Product accruing to workers as a function of the bargaining power of labour relative to capital. Across the organisational realms of economy, politics, and the globe, she identifies a range of stressors such as unemployment, southern imports, foreign direct investment, and migration, and a range of enhancers such as strike volume, unionisation, and state spending, which places the politics of the capital-labour antagonism firmly at the centre of income inequality analyses.

3 Structures of accumulation and protection: the social embeddedness of capitalism

This rediscovery of the inequalities between capital and labour occurred in an intellectual context where a substantial body of work in economic sociology and comparative political economy placed new emphasis on the social constitution of markets and economic activity. The observation that economic activities from individual to state are socially embedded is nothing new, and even within macroeconomics itself, dissenters have long voiced scepticism of the core assumptions of neoclassical growth theory (Atkinson 2009). Systems of rules, norms, and shared understandings amongst actors (or what Herbert Simon would call 'bounded rationalities') are essential in order for economic activity to occur, and for markets to operate, even at the most basic 'behavioural' level. Nor is the socially embedded nature of economic activity limited to the micro-foundations of transaction. At the macro-level of states, authors drawing on the concept of social structures of accumulation have shown how periods of economic growth and stagnation correspond to

particular policy episodes, and historically specific mixes of state regulation (McDonough, Reich, and Kotz 2010).

Between the micro and the macro we find a wide variety of meso-level analyses. Some of these explore the building blocks of economic organisations, where value chains, network organisations, regional clusters, welfare regimes, developmental states, and other structures have attracted much recent attention. Other approaches begin from the classification of different constellations of these factors into national level regimes – be they liberal, social democratic, Christian democratic, Mediterranean, or some other type. The Varieties of Capitalism (VOC) approach mentioned above distinguishes two principal forms of political economy (coordinated and liberal-market) according to the extent of state guidance present in their economic and labour market affairs, and the extent to which social life and economic activity are mediated through markets. Comparative welfare studies has long distinguished between liberal, social-democratic, and conservative welfare regimes – according to the universalism and commodification of welfare provision; the mix of state, private, and family influences in welfare delivery; and the forms of stratification engendered by such arrangements (Arts and Gelissen 2002; Blanchard and Giavazzi 2003; Ebbinghaus and Manow 2001; Esping-Andersen 1990).

Therefore, across all these levels of analysis, the economic fortunes of state and individual are not independent of their social contexts. Despite the apparent resilience of capital and financial markets throughout recent history, the social contexts in which they came into being are always subject to change. It is this historical contingency which opens up the possibility for agency, and this agency has asserted itself in a variety of ways through the responses – both explicit and implicit – of societal interest groups to the structural conditions in which they have found themselves. How can analysis of the general dynamics of capitalist development be combined with this understanding that markets and economic activity are socially constituted, and therefore vary across time and place? How can this understanding inform our analysis of the distributional conflict between capital and labour?

4 Multiple double movements

We approach these questions through Karl Polanyi's analysis of market economies, linking together the general dynamics and social constitution of different economies. Polanyi has characterised this dynamic as one of a 'double movement', in which 'society' responds to the inherent

pressures of 'the market' by seeking and enacting strategies of social protection. As capitalism developed, and as liberal doctrine took hold in the industrialised world, the commodification of land, labour, and money, spurred society to insulate itself against the degradation of such key institutions – both by compelling the state to regulate and through various strategies of collective action by social groups (Dale 2010: 71; see also Mjoset, this volume).

The nature of this resistance is specific to the form and intensity of socioeconomic pressure experienced by different groups, and the institutional landscapes of opportunity and constraint in which they operate – creating 'varieties of double movements'. In Denmark for example, peer and church land seizures and their redistribution in the late nineteenth century created a stable cohort of peasant proprietors, which later served as a key voting bloc for the social democrats. In this key inversion of liberal logic, it is such acts of *resistance* to markets, rather than the rise of markets, that are interpreted as spontaneous responses – contrary to liberals such as Von Mises who viewed marketisation as the natural form (Dale 2010). Famously, Polanyi argues that 'laissez faire was planned' but welfarism was not. While Polanyi conceptualised this process as occurring in a single 'Great Transformation' it can be extended into an ongoing, cyclical dynamic where, over time, the outcomes of earlier movements for social protection shape the forms taken by subsequent rounds of market formation (Mjoset, this volume). Polanyi's concept is therefore an important bridge between macro-understandings of embedded economic action and growth, and the context-specific ways in which interest groups struggle over social security and economic reward.

Bob Jessop has detailed this process as one of market expansion generating a protective reaction from society, owing to their mutual incompatibility – a process which plays out in a variety of ways, for example in the policy and governance realms of extra-economic checks and regulation (2001: 228). There are issues with this depiction of 'societal response' however – its mechanism of action, and direction of causation (specifically surrounding society's attempts to 're-embed' markets), is somewhat unclear. In this respect, Dale (2010) has identified a dualist tendency in Polanyi's work to treat liberalism as an active voluntaristic form emerging in tandem with the ideas of classical political economy, and those responses to the 'disembedding' of markets under liberalism as a functionalist imperative. This dualism speaks to a broader tendency in Polanyi's work to treat social relations under emergent liberalism as 'artificial', and those which precede its institution as 'natural'.

Nonetheless, others have forwarded more specific mechanisms of social protection, and theorists such as Tarrow (2011) have offered some important generalisations on structural precursors to collective action, such as the nature of political opportunity structures which may be exploited by interest groups. Katzenstein (1985) has suggested that small open economies faced with the pressures of globalisation should adopt specific mechanisms of social protection. His 'social compensation' hypothesis holds that such countries should tend toward stronger domestic welfare measures in order to offset the negative effects of globalisation such as international wage competition, labour market deregulation, and the comparative ease with which multinationals may relocate relative to workers.

There is some ambiguity in Polanyi regarding his preferred resolution to the double movement, whether that be transition to a redistributive socialist economy, or a re-embedding of the disembedded, unrestrained liberal market under regulated social democracy. Although both outcomes point toward a critical reordering of social relations along more equitable lines, the key difference concerns whether such ends were achievable under the rubric of a regulated, competitive capitalism, or a more far-reaching system of coordination. The question is an urgent one when we keep in mind the rise of right-wing populism and Polanyi's argument that fascism could also be explained as a political strategy of 'social protection' in the face of the dislocations produced by aggressive marketisation.

Many argue that it is preferable to view the distinction between embedded and disembedded economies as a continuous rather than discrete state (Cheng 2002; Dale 2010; McCloskey 1997), with states exhibiting varying degrees of potential embeddedness according to their institutional makeup, and their ability to offer income security in times of economic turmoil. However, Block and Somers (2014) go further to argue that Polanyi saw the economy as 'always embedded', providing a precursor to contemporary political economy and the need to focus on different forms of embeddedness of markets in national and other contexts. We combine this insight here with Polanyi's notion of the double movement to argue that both the marketisation movement and the counter-movements for social protection are shaped by social and institutional contexts, generating varieties of embedded double movements. Similarly, Mjoset (this volume) argues that both liberalisation and social protection can be political projects of institutional design, driven from above or below. Our analytical task is therefore to seek out what measures may best approximate both the form and efficacy

of the protective side of the double movement, in the face of various forms of liberalisation and deregulation of capital and labour in recent decades. Underpinning these always embedded 'double movements' are a number of fundamental antagonisms mediating the distribution of economic rewards and personal incomes.

5 Labour's share in the worlds of capitalism

The rest of this chapter explores trends in labour's share of national income in Ireland and Denmark over recent decades, drawing on previous time series analysis completed by the authors (Flaherty and Ó Riain 2013). Atkinson (2009) has suggested that the functional distribution of income (that between capital and labour measured by labour's share of GDP) provides a crucial link between the macro-economy, and the personal distribution of income (as measured for example by the Gini coefficient, or income percentile ratios). Recent research into the functional distribution of income has revealed some stark consistencies. On a cross-national basis, unemployment, foreign direct investment, and international trade volume are found to exert downward pressure on labour's share (Daudey and Decreuse 2006; Harrison 2005; Guscina 2006). Conversely, union density, government spending, and regulation have tended to enhance it (Jaumotte and Tytell 2007; Kristal 2010; Wallace, Leicht, and Raffalovich 1999). The functional distribution of income thus appears closely linked to the national-level institutional combinations through which the capital-labour antagonism is channelled. However, this literature only touches indirectly on the different configurations of these factors in different national contexts, a task that can only be adequately undertaken within a comparative framework.

Ireland and Denmark are ideal cases for exploring different forms of double movement. Both are well differentiated along the respective axes of the varieties of capitalism (VOC) and worlds of welfare capitalism typologies (Arts and Gelissen 2002; Blanchard and Giavazzi 2003; Ebbinghaus and Manow 2001). Hall and Gingerich's (2004) factor plots of coordination in labour relations (level of wage coordination, degree of union-employer strategising and labour turnover), and corporate governance (shareholder power over firms, dispersion of control, and size of stock market) also shows significant distance between both cases. Their work identifies Ireland as a state with low levels of coordination in both labour relations and corporate governance, whilst Denmark scores comparatively higher on both dimensions. Similarly, Blanchard and Giavazzi's (2003) plot of state locations in terms of labour and product market

deregulation places Ireland at a comparatively lower level of product market regulation. These structural differences filter through to the policy realm, where Ireland and Denmark are typically distinguished according to their respective degrees of commodification in welfare provision (see Scruggs and Allan 2006 for important comments on measurement).

There is little difference between labour share levels in Ireland and Denmark however, with Ireland having higher labour share in many years (largely because of lower productivity in certain sectors compared to Denmark's significantly more 'modernised' domestic economy). However, the factors shaping the two countries' division of national income are significantly different. In order to examine this we summarise here some results from a more detailed comparative statistical analysis that is based on parallel country-level time series studies of trends in labour share in the two political economies. This analysis adopts labour's share of Gross National Income (and not GDP) as its measure of labour's share, controlling for transfer pricing and entrepot activity among multinationals in Ireland, and the presence of large pension funds in Denmark. Full details of this analysis are available in Flaherty and Ó Riain (2013).

Figure 3.2 elaborates on the basic trends outlined in Figure 3.1 and shows that, while labour share rose and declined in Ireland and Denmark in similar periods, there were significant differences in magnitude of those fluctuations. By regressing and plotting a succession of period-specific trend dummies, we gauged this divergence in adjustment rates across

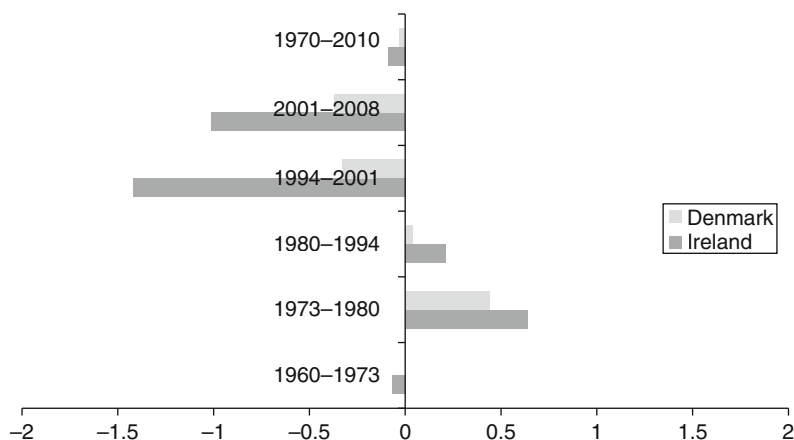


Figure 3.2 Period-specific linear trends (% change) in Irish and Danish labour share, 1960–2010

Ireland and Denmark; the coefficient on these partial models indicates the rate of change over one year within each period (e.g. 1980–1994).

Whilst Ireland exhibits faster growth between 1960 and 1980, Denmark adjusts consistently toward a more stable rate of decline relative to that of Ireland which drops to -1.5% per year between 1994 and 2001, compared to -0.4% per year for Denmark. Overall, Ireland's trend is decidedly more volatile. This volatility is borne out by the fact that Ireland's series is more responsive to key points of macroeconomic instability and change, such as the oil crisis of the mid-1970s, the recession of the 1980s, and the recent financial crisis. Although showing similar variation until the early 1980s – albeit at differing relative levels – Ireland's post-1980s decline is significantly sharper, eventually dipping below that of Denmark in the late 1990s, with significant inflows of foreign investment by highly profitable IT and pharmaceutical firms. As the 2000s went on, labour share rose with the upsurge in construction and services employment with high labour intensity. Immediately following the post-2007 collapse, labour share surged further as Irish GDP and GNI collapsed and property and financial wealth was devalued, although capital's share began to increase once more in 2011. The following section will explain the different rates by using Polanyi's concept of the double movement.

6 Marketisation and distribution of national income

The process of 'marketisation' is itself multifaceted and can take different forms, depending in part on the strategies pursued and in part on the institutions through which such strategies are realised. Even in two small open economies such as Denmark and Ireland, there are significant differences in an export strategy based on promoting domestic and international market competition among small and medium sized Danish enterprises and one based on participation in the international competition for mobile investment, as has been central to Irish development. The social shaping of marketisation, in its various forms, can have quite different consequences in different settings. As noted above, endogenous growth theory called specifically for attention to '...the private and public sector choices that cause the rate of growth of the residual [i.e. the impact of technology] to vary across countries' (Romer 1994). This alternative approach is reflected implicitly in sociological accounts of innovation and economic development which have outlined the complex mix of state strategies that shape national economies (see, for example, Lundvall (1992) on Denmark and Ó Riain (2004) on Ireland).

Figures 3.3 and 3.4 summarise in visual form our analysis of the magnitude of the effects on labour's share of national income of four key variables relating to the process of marketisation. Most basically, *Trade* refers to each the country's share of worldwide exports, capturing the significance of international market activity to the economy as a

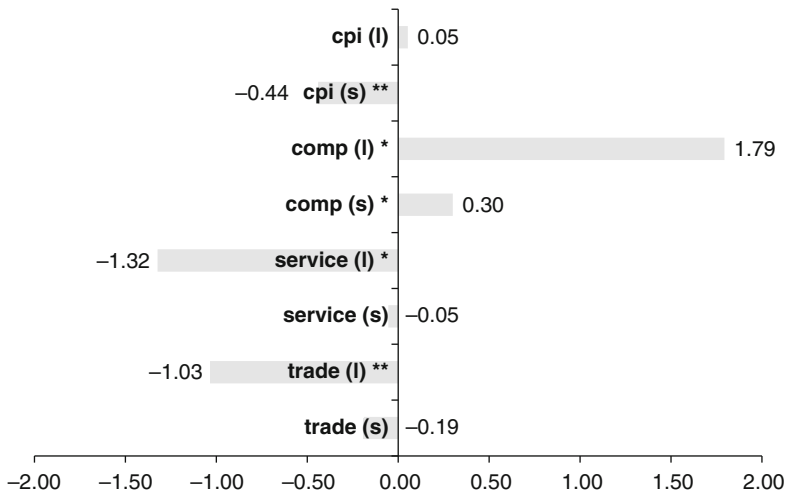


Figure 3.3 Standardised coefficients, marketisation model (Ireland)

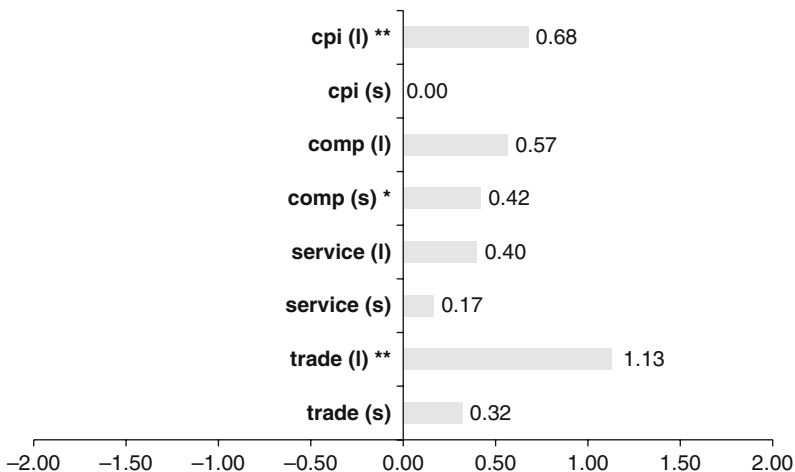


Figure 3.4 Standardised coefficients, marketisation model (Denmark)

whole. *Service* measures the effect of the share of employment in service activities, capturing the move towards a post-industrial form of market society (including, however, both public and private services). *Comp* measures high tech exports as a proportion of all exports, examining the importance of 'knowledge services' within overall market activity. These last two variables therefore capture the effects of the particular mix of different kinds of market activity where the first variable gives an estimate of the effect of overall levels of activity. Finally, *CPI* refers to the inflation rate, measured by the consumer price index, and captures the effect of the velocity or 'over-heating' of market activity. Each variable is included in two forms – a one year lagged effect (l) and a short-term first-difference effect in the year of measurement (s).

These different dimensions of marketisation are connected to varying potential effects on labour share. Trade exposes firms and workers to the opportunities and pressures of international competition. Increased employment in services tends to weaken unions by reducing the importance of their historically 'core' memberships of industrial employees, whilst certain services sub-sectors such as retail have seen a proliferation of casual employment, making coordinated bargaining beyond firm level particularly difficult (Hardiman et al. 2008). In contrast to generally low paid service sector employment, a crucial feature of recent decades has been the growing importance of high-tech activities, such as the software sector in Ireland and Danish biotechnology. The high skill profile of much of this work has promoted upward wage pressures in most technology-intensive sectors, generating a wage premium for highly skilled, mobile workers (Hardiman 2008; Daudey and Decreuse 2006). Finally, including a measure of inflation or GDP growth has become commonplace in time series modelling of labour share, in order to control for the potential presence of business cycle effects in the generation of labour share fluctuations, with the coefficient on this variable acting as an indicator of cyclical or counter-cyclical tendencies in labour share movement (Harrison 2005: 26).

Each society is undergoing a broad transition towards a trade-oriented service economy, although Ireland's transition involves a much greater trade-orientation, more business cycle volatility and somewhat stronger services growth. Most striking however is not just the form of marketisation but its effects – where the benefits go more to labour than capital in Denmark, it is capital that can best secure the rewards in Ireland. Even within this overall trend, however, there are significant differences in the effects of different forms of marketisation. The most striking immediate findings are that the measures of broad structural change in market

societies – the expansion of trade as a proportion of the economy and the incorporation of service activities in the market economy – have broadly negative effects on labour share in Ireland, while positive in Denmark. Nor are these necessarily ‘shock’ effects as it is the lagged variables that have the greatest effects – in both countries. It is liberal Ireland where workers do worse in securing a share of income from broad, general processes of marketisation.

Although a bit less clear-cut, it also appears from the inflation figure that Irish workers’ share of the national pie depends more heavily on the business cycle, with expansionary periods benefiting labour in Denmark but capital in Ireland. In short, while Ireland is more vulnerable to business cycle fluctuations and has seen much higher levels of trade exposure and service employment growth, it is capital that has benefitted most from these trends. However, these trends are not in themselves determining of labour’s share – in Denmark, labour has benefitted more from these trends than capital.

Just as interesting is the effect of the expansion of the computer sector. This has boosted labour’s share in both countries, although to a significantly greater degree in Ireland. In ‘liberal’ Ireland, the benefits of marketisation for labour depend most heavily on the prevalence of the ‘high road’ sectors within the service economy. The benefits of the shift to a ‘knowledge economy’ are therefore likely to be less widely spread, even if they do see better returns to labour. In Denmark, the effects of high tech growth are smaller, although still strongly positive. In this case, however, they are combined with much stronger overall effects of general transitions towards exporting and non-manufacturing employment. In short, similar marketisation processes have quite strikingly different effects in these liberal and social democratic economies, effects that deviate strongly from theoretical expectations. It is in the apparently ‘less liberal’ economy that the benefits of marketisation for the general population are strongest, whereas those benefits in the liberal economy depend more heavily on workers’ ability to develop ‘specific assets’ such as high tech skills and employment.

7 Countermovements for social protection

The second dimension of our analysis focuses more directly on the ‘bargaining power’ of the actors which has been a focus of much of the labour share debate – conceptualised here as part of the societal movements for self protection from market risks, uncertainties and inequalities. In the process, we decompose the differences between ‘liberal’

and 'social democratic' (or in the Varieties of Capitalism perspective, 'coordinated') political economies into some of their key socio-political elements.

We start with two measures of the power of capital and labour. Increased levels of foreign direct investment (*fdi*) have characterised the development trajectories of many globalising worldwide economies in recent decades and the effect of net FDI inflows on labour share has typically been recorded as negative (Decreuse and Maarek 2008; Harrison 2005; Hutchinson and Persyn 2009). Worldwide, the effect of increased capital account openness has been the consolidation of capital's bargaining power relative to labour, insofar as mobile capital generally enjoys lower relocation costs relative to labour, and is therefore capable of more easily seeking out greater returns from beyond its host economy (Harrison 2005: 4). Foreign investment is also a mode of marketisation and brings with it economic opportunities as well as risks – here, however, we focus on it as a key feature of the political organisation of capital. As Mjoset (this volume) notes, elites also organise to shape economic outcomes – not just social actors 'from below'. The organisation of workers is captured through the rates of unionisation (*union*), which feature as common predictors of labour share variation within much existing literature, operating through a variety of direct and indirect mechanisms (Daudey and Decreuse 2006; Guscina 2006; Jaumotte and Tytell 20007; Jayadev 2007; Kristal 2010; Wallace et al. 1999). Classically union density, as a measure of the organisational capacity of labour, serves to increase labour's bargaining power – both through the imminent threat of strike action (with potential losses in output for capital), and by representing members' interests in wage bargaining processes.

Two other variables relate to the state context within which capital and labour play out their struggles to shape market outcomes. Political partisanship (*left*) is often crucial to the bargaining power of labour, insofar as national legislatures with predominantly leftist members should tend to enact legislation, and adopt policy positions more favourable to labour's interests. Typically, leftist cabinets can augment labour's share of income by enacting legislation around pay equalisation or minimum wage setting, thus insulating low-wage labour from competitive market pressures and wage depression in times of high unemployment. However, there is also evidence that unions and left parties have quite different effects, with union strength most affecting wage and other working conditions while left partisan success affects welfare and other social policies (Jensen 2012). This promotion of welfare policies may itself have an indirect effect on labour share as welfare provides a 'reserve

wage' that strengthens labour's bargaining power and social policies may also enhance workers' skills and productivity. Indeed, a substantial body of literature exists addressing the welfare provision strategies and levels of social spending (*welfare*) of small open economies. According to Katzenstein's elaboration of the 'compensation hypothesis', small states typically complement their liberal orientations with parallel domestic measures aimed at offsetting the exposure to market volatility engendered by increased openness (1985: 47). However, Ireland represents a 'liberal' exception with a small open economy but comparatively low welfare effort.

Figures 3.5 and 3.6 show the results of the analysis for Ireland and Denmark. One of the main findings of the comparative and US literature on labour share is confirmed – that strong unions promote labour's gains from the economy. In both Ireland and Denmark, union density increases labour share although the effect is strongest in Ireland (where union density is historically much lower). The presence of foreign firms significantly reduces labour's share in Ireland (although having no effect in Denmark, where foreign investment rates are lower). This is telling given that wage rates are generally higher in foreign than domestic firms in Ireland. Nonetheless, it is clear that Ireland's capitalism is more 'red in tooth and claw' as shares of national income depend more dramatically on the relative organisational strength of capital and labour.

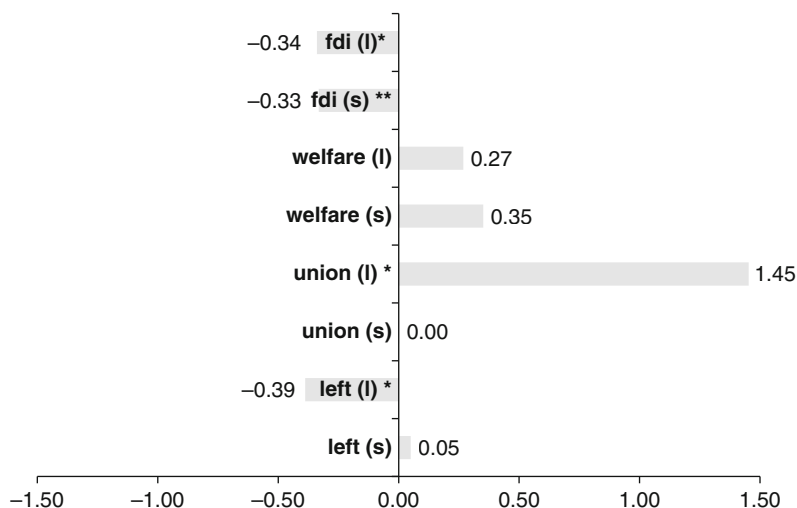


Figure 3.5 Standardised coefficients, political-economic model (Ireland)

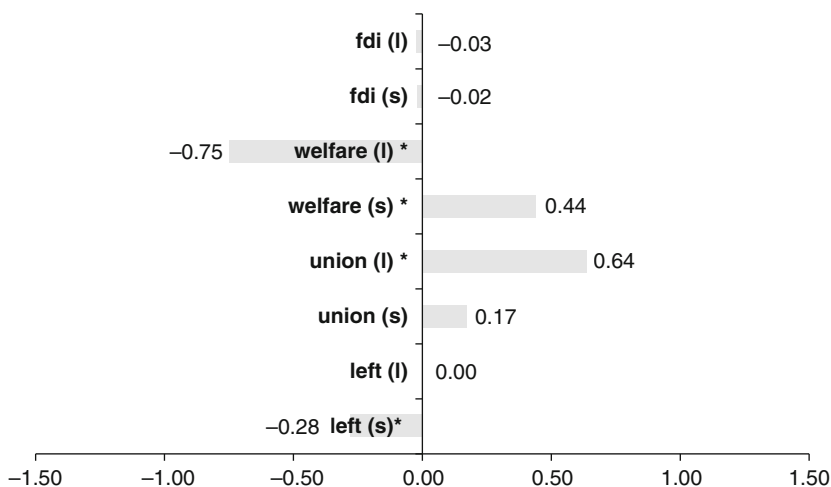


Figure 3.6 Standardised coefficients, political-economic model (Denmark)

This can perhaps be explained through the different political contexts, where Danish social provision is amongst the strongest in Europe's small open economies and Ireland's among the weakest. The effects of welfare spending on labour's share of national income are perhaps surprising, however. Stronger welfare spending enhances labour's share of income in Ireland on both measures of the variable. However, in Denmark, while there is a short term effect this quickly turns negative. This suggests that Denmark's relatively peaceful struggles at the point of production may well be embedded within a wider trade off between market and social wages, where employers can benefit from wage restraint as employees are compensated through social spending. Denmark's welfare and industrial relations regimes operate through an institutionally dense 'negotiated economy' which facilitates such trade-offs over series of predictable bargaining rounds (Campbell, Hall, and Pedersen 2005; Due and Madsen 2008). The power resources of capital and labour matter, but the deals they can strike – explicitly and implicitly, directly and indirectly – depend on the broader structure and practices of institutions and the state.

Finally, the effect of partisan party politics is particularly difficult to interpret. In both countries, left party success appears to reduce labour share of income – although the effects are somewhat varied and not very large. Nonetheless, this poses a puzzle as left parties should be more likely to promote social spending and workplace and employment

rights. The picture is further complicated by the importance of coalition politics in both countries, despite their very different sizes with the Irish Labour Party very much the junior party in coalition with a centre right Christian Democratic Party while a series of Danish parties regularly form a 'left coalition' government. While the results are similar, in practice the dynamics may be different. In Ireland, the dynamics of coalition with the centre right party, generally hostile to unions and welfare, may be to weaken workers over the long run. In Denmark, we speculate that the negative left party effect may have more to do with the trade off between market and social wages noted above.

8 Conclusion

The results of our analyses have thrown up some interesting puzzles. Why does marketisation – in the form of trade and service economy expansion – reduce labour's share in liberal Ireland but promote it in 'coordinated', social democratic Denmark? Why do the mechanisms of social protection – unionisation and welfare spending – work most strongly to boost labour's share in Ireland? Why do some factors we would expect to boost labour's share – welfare spending and left parties – sometimes reduce it (and particularly in Denmark, where we would least expect it)?

We argue that these puzzles can be answered by combining power resources and institutionalist accounts of distributional conflict in capitalism with Polanyi's overarching framework of how market formation and social protection generate dynamic tensions within capitalism. We agree with existing literature on labour share trends that emphasises how the growing power resources of capital in relation to labour have tended to drive labour's share of national income downwards. We find that the shift towards a post-industrial service economy generates significant pressures for polarisation within workers themselves. However, we also find that alongside these general pressures, are an important set of national level factors that shape the distribution of national income – including the form of marketisation, the organisation of capital and labour, and the welfarist orientation of the state. These factors vary in their distribution across countries (e.g. varying levels of foreign investment), in the magnitude of their effects (e.g. union density, high tech employment) but also in some cases in the direction of their effects (e.g. trade, services, welfare spending). Most fundamentally, when we look at how these factors combine in different national level analyses we find that even such general pressures as those currently driving labour's

share of national income downwards in advanced capitalist countries are profoundly shaped by different 'social logics' in different political economies. It is these differing social logics in Ireland and Denmark – and even more broadly in liberal and social democratic economies – that explain the puzzles posed at the start of this section. First, let us look at those puzzles in more detail.

The effect of broad structural trends in the political economy – the expansion of trade, the growth of the service economy, and even the dynamics of the business cycle – boost labour's share of income in Denmark but weaken it in Ireland. We find that it is 'rational' for employees and the self-employed to resist these market-forming projects in Ireland, which should be more flexible and more amenable to adjustment. However, in Denmark the fundamental conditions for worker agreement with ongoing adjustment and flexibility in the face of structural change are much more firmly in place. Another surprise awaits when we turn to the socio-political factors at work. We find that workers' specialised skills (high tech employment) and collective organisation (union density) boost labour share, as expected. However, the effects of those positive factors are significantly weaker in Denmark, where the basic levels of these assets (especially unionisation) are higher. Where workers have most of these assets, they appear to use them least. Finally, as already discussed above, welfare spending and left government may reduce labour share – at least in Denmark, where once again they are strongest.

Overall, then it appears that these factors work in these unexpected ways due to the different logics at work in each context. The irony appears to be that it is those who have the greatest power resources (e.g. organised labour in Denmark) are those who use it with most restraint. However, this is only an apparent paradox, as the ability to shape key institutions such as industrial relations bargaining systems, labour market strategies, and welfare policies leaves the Danish unions and parties with a much greater range of ways to influence the dynamics of the relationship between capital and labour. Without this institutional density, Ireland's workers are left more reliant on their collective organisation (once through social partnership agreements, now largely directly in the workplace) and their skills to strengthen them in bargaining with employers. These assets are also spread more narrowly in Ireland and are likely to give a more concentrated distribution of benefits between employees themselves (as suggested in Ireland's greater income inequality among workers, although not directly examined in this paper).

Given this range of options and the relative predictability and security of their bargaining position, we also find that it is easier for the Danish to trade market for social wages and short-term for medium-term considerations. This makes it more likely that they can generate widespread support for large scale economic changes, as they are better placed to reap the benefits on a broader basis. As 'empowered market participants' (Pontusson 2011), Danish workers and their organisations are better able to mould market institutions to their own benefit (Thelen 2014). This is not without risks, however, and it is just as likely (if not more so) that Denmark will move over time closer to the Irish model as it is that Ireland will move towards the Danish (Behling and Ó Riain 2014).

Theoretically, our analysis supports Mjoset's (this volume) extension of Polanyi's arguments about the double movement. In particular, this double movement consists of two projects of institution-building, one focused on markets and the other on protections from them. Furthermore, both are intertwined over time at multiple scales and time horizons so that there is not just one 'great transformation' but an ongoing set of tensions that generate diverse 'double movements' (Ó Riain 2014). Marketisation is planned but must also take hold in a social structure and this iterative relationship between marketisation and social embedding means that market mechanisms can work in ways that enhance the prospects of labour – if the context is one where labour has sufficient power. Ultimately, the puzzles of labour share trends in Denmark and Ireland can be better understood if we examine how they are linked to the differing double movements in each world of capitalism.

4

Classifying Labour Regimes beyond the Welfare State: A Two Dimensional Approach

Rossella Ciccia

1 Introduction

The labour market has been a favoured object of social science research. This is unsurprising considering that it represents both the main mechanism to allocate labour power to productive tasks and the primary source of social inequalities and class formation. However, the current transformations of work and the increasing diffusion of conditions that lie between the categories of employment and unemployment confront both advanced economies and mainstream theories of the labour market with new challenges. Moreover, in spite of the large number of scholarly works that have developed around the classification of advanced economies on several institutional domains, few works have analysed the institutional variety of labour markets per se (Bosch, Lehnendorff, and Rubery 2009; Gallie 2007a; Mingione 1997a; Rubery and Grimshaw 2003; Schmid and Gazier 2002).

The relative lack of comparative investigation on labour regimes appears largely related to the success of the ‘welfare modelling business’ (Abrahamson 1999) and in particular to the influence of Esping-Andersen’s seminal work *The Three Worlds of Welfare Capitalism* (1990). Indeed, comparative labour market analyses appear flawed by persistent reference to this book, often starting with the assumption that certain forms of welfare directly cause distinct employment structures. Much of the attention dedicated to this book has focused on the idea of decommodification as the salient characteristic of different welfare regimes. Decommodification is defined as the extent to which individuals can maintain a livelihood independently from the market, and is measured

through composite indicators based on replacement ratios and eligibility conditions for unemployment, pensions, and other income maintenance programmes. Therefore, commodification (the making of modern labour markets) and decommodification (the degree to which state policies render individuals free from the labour market) are generally treated as if they were symmetrical concepts: the more of one, the less of the other.

The general attention to those policies that protect people from labour market risks has concealed differences in the ways in which the commodification of labour has historically taken place across countries. In no modern society has all the population participated equally in productive tasks. In 2007, people in employment accounted for little more than 65 per cent of the working-age population in Europe, in spite of a general upward trend in labour market participation.¹ The uneven inclusion of population groups in the labour market derives from the institutionalisation of modern labour markets in the nineteenth to twentieth centuries, which proceeded together with the expulsion of certain activities from the 'legitimate' productive sphere. Housework and care work (Knijn and Ostner 2002) represent a great deal of those activities, but there are others that are normally neglected (e.g. education), while others have gained salience over time (e.g. retirement) (Lynch 2006). Through these activities, or rather 'inactivities', corresponding groups of the population were 'granted' the possibility to remain outside of the labour market, thus becoming optional or marginal labour force groups (Offe 1985). This suggests that variations in labour regimes relate not only to factors shaping how much work is available but also to factors influencing who considers themselves in the labour market or not (Rubery and Grimshaw 2003).

A further source of variation in the commodification of labour concerns the differential diffusion of forms of standard and non-standard work. The standard employment relation was central to the Fordist regulation of labour in the Golden Age of the post-war boom (Supiot 2001). Nevertheless, its predominance was a geographically limited and short-lived phenomenon. Forms of non-standard and informal work have always represented large amounts of labour in some national employment systems (Pfau-Effinger et al. 2009), while new forms of atypical employment have spread to different extents and in different ways across countries (Bosch et al. 2009).

Most scholars acknowledge that welfare states interact profoundly with the organisation of labour markets; yet, the tendency of previous research to subsume labour regimes entirely within the domain of

the welfare state has obscured differences in the extent, and ways in which, the commodification of labour has occurred across countries. This chapter aims to fill the gap in comparative research by making a distinct contribution to the development and operationalisation of labour regime analysis. First, it advances the conceptualisation of labour regimes as the intersection of two dimensions – *selectivity* and *forms of regulation of employment relations* – focusing on the ways in which labour is mobilised in different political economies, that is, the extent and ways in which various labour force groups (women, youth, and older workers) are tied to the labour market over and above welfare state and other supports. Second, it demonstrates the clustering of western European economies in four distinct regime types, which only partly overlap with prevailing welfare typologies. These findings are then used to advance debates about what kind of empirical and theoretical relationship exists between welfare and labour regimes.

2 Toward a typology of labour regimes: decommodification or commodification

A great deal of comparative research has investigated the institutional determinants of cross-country employment and unemployment differentials. These analyses typically focus on the role of a limited number of labour market institutions: collective bargaining, employment protection legislation, minimum wage, and unemployment benefits (Amable et al. 2011; Baccaro and Rei 2007; Bassanini and Duval 2006; Belot and Van Ours 2004; Calmfors and Driffill 1988; Layard et al. 1991). A growing number of studies also investigate the effect of these same institutions on the employment of particular demographic groups, and especially of youth (Baranowska and Gebel 2010; Bertola, Blau, and Kahn 2007; Kahn 2007). Although they often adopt a cross-national research design, these analyses do not so much focus on countries but on the relationships, all else being equal, between certain factors and employment outcomes. Therefore, these investigations appear better equipped to appreciate similarities and convergence between national economies rather than differences.

The systematic comparison of national contexts represents instead the focus of a rather voluminous and interdisciplinary body of literature sometimes defined as ‘comparative capitalism research’ (Deeg and Jackson 2007). This strand of research has produced a number of typologies of advanced economies according to their differences in certain institutional domains such as social protection, gender arrangements,

industrial relations, corporate governance, financial systems, and skill formation. In particular, a burgeoning amount of work has been dedicated to the idea that welfare systems come in different varieties that can be ordered according to ideal-typical models (Bonoli 1997; Castles and Mitchell 1993; Esping-Andersen 1990, 1999; Ferrera 1993; Hicks and Kenworthy 2003; Huber and Stephens 2001; Jensen 2008; Korpi and Palme 1998; Lewis 1992; O'Connor et al. 1999; Sainsbury 1994; Titmuss 1958). Labour market institutions are usually considered within this strand of research only as one element of a broader set of dimensions used to explain differences in other institutional spheres (e.g. corporate governance) or as outcomes of different institutional structures (e.g. welfare states).

Much research has implicitly/explicitly assumed that a 'welfare-state regime goes hand in hand with a peculiar labour-market regime', and even that 'the labour market is systematically and directly shaped by the (welfare) state' (Esping-Andersen 1990: 142, 144). Analyses of employment systems appear flawed by persistent reference to Esping-Andersen's renowned classification, often starting with the assumption that employment patterns will, by association or direct causation, fit his welfare typology. Therefore, the three worlds are commonly used in comparative labour market analyses as rationale for case selection, or worse still, interchangeably as synonymous with different employment regimes (Barbieri 2009; Erhel and Zajdela 2004; Gallie 2007b; Muffels et al. 2002). Nevertheless, the argument that welfare states and labour market characteristics cluster is rarely investigated through statistical techniques, and while they may often dovetail, there are important examples where they do not (Stephens 1994; Wincott 2001).

Esping-Andersen's work has provoked extensive debate; yet, his typology has proved robust and heuristically useful to understand empirical variation in social policy analyses. More problematic is its application to fields such as that of the labour market for which it was not initially developed. In this view, to describe the defining character of Scandinavian states as a high degree of decommodification of labour neglects other important features of these countries; namely, that they are characteristically biased towards full employment and leave few options for people to opt out of the labour market (Huo et al. 2008). Similarly, we cannot describe Southern European states as poorly decommodifying without taking notice of the low participation of their populations in salaried employment. As pointed out by feminist scholars (Lewis 1992; O'Connor et al. 1999; Orloff 1993; Sainsbury 1994), the essential flaw of decommodification is that individuals enter the analysis only once they have entered paid employment,

while the ways in which (male) commodification relies on a whole set of other social and reproductive activities are left completely unexplored. The merit of feminist studies is to have brought both commodification and the household back into the theoretical debate. Nonetheless, the welfare state and its differential consequences for men and women remain steadily at the centre of their analysis.

3 Defining labour regimes: selectivity and forms of regulations

A starting point for the analysis of labour regimes comes from the work of Mingione, who defines a labour regime as 'the set of relatively coherent and lasting rules of social life that consent to mobilise labour energies in typical forms' (1997a: 158). The word 'typical' is here used to refer to what is considered the 'normal', that is socially acceptable and widely spread form of organisation of labour in a society. Others have used similar concepts in spite of using different labels: activity and employment regime (Barbier 1998) or employment systems (Bosch et al. 2009; Rubery and Grimshaw 2003; Schmid and Gazier 2002). All these definitions draw attention to the influence of legal, cultural, and social norms on the ways in which employment and activity are distributed among the potentially active population (Barbier 1998). Examples of these rules concern the definition of: (1) some activities as 'work' and others as 'non-work' (e.g. housework); (2) certain groups of people as compulsory labour force (e.g. prime-age men) and others as 'legitimately' inactive (women, youth, older people); (3) the conditions under which individuals enter/exit the labour force (e.g. retirement age, prohibition of child labour); (4) the ways in which labour power is delivered and disciplined within the employment relation. Accordingly, and based on these works, a labour regime is here conceptualised as the intersection of two dimensions: (1) the selection within the population of those who are destined/demanded to enter the labour force (who works?); (2) the different ways in which labour power is regulated within the employment relation, and in particular its distance/proximity from standard full-time employment typical of Fordist regulation of labour (how do they work?). It is worth noticing in comparison with Esping-Andersen's work, this definition looks at the end-product of commodification processes, that is the degree and the ways in which certain groups of individuals are tied to the labour market over and above welfare state and family supports. The next sections illustrate the historical relevance of these two dimension for the configuration of European labour regimes.

3.1 The selection of the labour force: the creation of 'optional' labour force groups

The selection of labour force groups has proceeded historically along a twofold path: the expulsion of some activities, and the exclusion of the corresponding groups of people from formal (at least primary) labour markets. The definition of 'work' and the resulting notion of employment are in fact historical products that identify certain social groups as 'employables' and others as 'unemployables' (Baxandall 2002). The state has normally played an important role in defining these boundaries around work and employment either through legal regulations that hinder some portion of the population from entering the labour market (e.g. the prohibition of child labour) or through the provision of non-market means of subsistence (e.g. old-age insurance, unemployment benefits) that influence the possibility of survival independently from salaried work (Offe 1985). A strategy common to all advanced economies in the post-war period has consisted in the quantitative restriction of labour supply through the extension of compulsory education and retirement schemes, which allowed respectively for the delayed entry of the new generations and the anticipated exit of the older ones into/from the labour market (Rubery and Grimshaw 2003). Similarly, the emergence of full-time housewifery as a mass phenomenon in the post-war period kept a great deal of women outside formal employment (Saraceno 1987). This suggests that national configurations of labour regimes are shaped in interaction and facilitated by a whole set of institutions that reproduce labour itself, and particularly, the family, the educational and training system, and the social security system (Bosch et al. 2009). Therefore, while we need to separate these different spheres conceptually, it is possible that there are linkages and interdependencies between them. This becomes clear when we consider the ideal typical post-war labour regime based on the combination of men's life-long full-time employment, with care provided by full-time housewives and generous welfare state supports (Lewis 1992). This settlement has been variously defined as 'Fordism', the 'male bread-winner' model, or 'welfare capitalism' depending on the relative emphasis given to its three elements.

A labour regime is thus relatively stable over relatively long periods of time and made visible according to standard categories such as gender and age.² However, the license to a life outside the labour market appears as a highly ambivalent Greek gift, since those criteria which are used to define 'optional' labour force groups (i.e. gender and age) are the same characteristics that identify problem groups inside the labour market (Offe 1985). Indeed, employment differentials across

European economies are essentially related to the differential labour market engagement of women, youth, and older people (OECD 2006). Nevertheless, public policies may also aim at the inclusion of larger portions of the population in waged work as shown by states' increasing emphasis on activation, individual obligations, and work incentives (Gilbert 2002). Among inclusion strategies, we also find negative actions aimed at increasing dependence on earned wages, such as the reduction of the length and amount of unemployment benefits or the mitigation of the protective function of labour law (Bonoli 2003). These processes and policies are played out differently across European economies, particularly with regard to the specific groups targeted by such measures (e.g. lone parents, mothers of young children, people with disability, older unemployed) (Clasen and Clegg 2011), which contributes to persisting cross-national differences in the incorporation of particular demographic groups in paid employment.

3.2 Regulating labour: from Fordist regulation of work to non-standard employment relations

The second dimension is concerned with the regulation of the employment relation, and the differential diffusion of forms of standard and non-standard work. Differences in the ways in which labour is regulated across advanced economies are generally considered as part of the development of divergent forms of capitalism (Bosch et al. 2009; Rubery and Grimshaw 2003). According to Mingione (1997: 95–146), we can distinguish the following regulation phases: extensive (from the industrial take-off to World War I); intensive (from the end of World War I to the oil crises of the 70s), and the current phase of fragmented or flexible regulation. The transition from one phase to the next was characterised by different prevailing socio-economic forms and dynamics of changes. It is also important to stress that each phase far from being uniform, has instead occurred in partially diverse ways across societies according to pre-existent institutions and historical legacies.

The first *extensive* phase was aimed at horizontal extension of the capitalist way of life through the substitution of old traditional institutions (rural economies, auto-consumption, crafts) with others consistent with the development of industrial wage-earning societies. The diffusion of monetary consumption and waged labour were made possible in this period by the increase in proletarianisation – for which people come to depend increasingly on a salary for their living and commodification – the growth in the number of goods and activities produced for exchange via the market. A well-known historical example of these

processes are the English enclosures and the dismantlement of the Speenhamland system in the nineteenth century (Polanyi 1944). The social and economic sustainability of this model was compromised at the end of the nineteenth century by the increasing pauperisation of the population and the periodic recurrence of over-production crises (Arrighi et al. 1999).

The main issue of the second period (Fordism) was no longer the production of cheap labour, but rather the creation of forms of regulation to make compatible the demand for a highly productive workforce with the expansion of mass markets for the goods produced by large corporations centred on the exploitation of economies of scale (Boyer 1986). This production system was based on high wages and welfare, secured at least in Europe through extensive state intervention (Keynesism). This model was not only a form of organisation of production, but rather a broader form of social organisation deeply reshaping the lives of individuals and households, from which stems its *intensive* character (Gramsci 1949). It is in this period that the standard employment relation becomes the prevalent form of regulation of labour exchanges. Labour regimes are based in this period on the permanent, socially protected, full-time, dependent employment of adult males earning a primary/family income (Bosch 2004). The implementation of the Fordist production and employment regimes in many countries and industries has been partial at most. For instance, the persistence of crafts and professional markets in Germany and Sweden considerably limited the adoption of Fordist and Tayloristic principles of work organisation, while southern European economies were based on widespread use of cheap labour, protectionism, and state intervention to support the delayed industrialisation (Koch 2004). Nevertheless, the Fordist model will dictate the interpretative categories of this era.

The causes of the crisis of the intensive/Fordist regime are generally identified as a range of phenomena profoundly reshaping advanced economies: (1) demographic dynamics reducing the share of people actively participating in labour markets (Vos 2009); (2) the saturation of mass consumer markets and the growing importance of service and financial activities (Iversen and Wren 1998); (3) the widespread entry of women into paid employment and the unravelling of the Fordist gender contract (Crompton 2006); and (4) increased economic competition and the integration of markets on a global scale (Spilerman 2009). The interpretation of the third phase remains unclear inasmuch that it is often defined only by contrast with the others and referring to such different phenomena as neoliberalism, globalisation, and post-Fordism (Littlewood et al. 2004).

A term commonly used to describe it is flexibilisation, although it is used in so many different and contradictory ways that almost any study unavoidably starts by declaring the necessity for greater clarification (Regini 2000). This is also generally associated with the deregulation of the institutional settings that typified the Fordist age of capitalism, that is the minimisation of all restrictions on individual behaviours and of the functions performed by the state and organised interests. As a result, various forms of non-standard employment relations (e.g. temporary and part-time work) have become increasingly prominent ways of organising work. In particular, while numerous jobs have been created in the tertiary sector, these are often insecure and poorly paid. The decline in life-time jobs and the increase of flexible and non-standard employment has a particularly destabilising impact on employment systems. These jobs do not reflect the traditional standards of social reproduction, and therefore entail a weakening of the mechanisms of social integration, resulting in increased risks of exclusion (Mingione 1997b).

4 Data and method

A two-stage Principal Component Analysis (PCA) was used to classify 16 European countries according to their labour regime model. In particular, this analysis focuses on Western European economies since these have been most often studied by the welfare regime literature. The aim of PCA is to identify a limited number of principal components that synthesise the greatest part of the variance of an original set of variables. This method has been applied in comparative analyses of the welfare state in order to explore the dimensionality underlying different welfare regimes, and to classify countries accordingly (Hicks and Kenworthy 2003; Shalev 2007; Wildeboer Schut et al. 2001). One of the assumptions of PCA is that of the independence or orthogonality of the principal components. However, it is often difficult to conceive truly independent dimensions, especially when considering socio-economic phenomena (Shalev 2007). In particular, the two dimensions used to define labour regimes – selectivity and regulation – are clearly not independent since everywhere women, youth, and older people are more involved in non-standard jobs than other population groups (OECD 2006).³ The orthogonality constraint may in this case bias the underlying dimensions by inflating the contribution of variables that are highly collinear. Two-stage PCA avoids this problem by running separate analysis for each theoretically relevant dimension (Di Franco and Marradi 2013). In the first stage, the whole set of variables is analysed in order to portray the semantic space

of the indicator variables and to single out meaningful clusters of variables.⁴ Subsequently, separate PCAs are performed on each subset to produce the final loadings and scores. During this stage, only the first component is extracted since it synthesises the greatest part of the total variance and the greatest number of variables with high loadings. This procedure has also the advantage to avoid some of the inductive bias of PCA, which has been criticised for not sufficiently linking theory and empirical measurement (Shalev 2007).

This analysis uses data from the Eurostat Labour Force Survey 2007 for the EU 15 countries, Switzerland and Norway,⁵ a period of relative stability in Europe before the onset of the financial crisis. Since the selection dimension measures the extent to which population groups are integrated in formal employment, age and gender specific employment ratios were used to measure this dimension. The employment rate of prime age men (25–54 years) was excluded because of the low degree of cross-national variation and its weak association with the other variables. This suggests that differences in male employment depend largely on other phenomena (e.g. business cycle, productive structure) than those primarily influencing the other demographic segments. The first component accounts for 74 per cent of the total variance and all the variables show very high and positive loadings (≥ 0.70) (Table 4.1). This component identifies a dimension that moves from a minimum to a maximum of selectivity.

The regulation dimension is measured through an index of de-standardisation that considers both the actual diffusion of forms of non-standard employment (self-employment, temporary, part-time work) and the strictness of formal regulations (EPL indicator).⁶ These indicators measure

Table 4.1 Principal component analysis of selection dimension (2007)

Variables	Component loadings	Component score coefficients
Male employment ratio 15–19 years	0.89	0.17
Male employment ratio 20–24 years	0.95	0.18
Male employment ratio 55–64 years	0.73	0.14
Female employment ratio 15–19 years	0.95	0.18
Female employment ratio 20–24 years	0.97	0.18
Female employment ratio 25–54 years	0.81	0.15
Male employment ratio 55–64 years	0.76	0.14

Note: Estimates relative to the first component calculated by principle component method with varimax rotation; the component has an eigenvalue above 5.

the extent to which employment relations differ from the Fordist ideal of life-long, full-time, dependent employment. Given that this index measures countries' distance from the Fordist model of mobilisation of labour, the shares of service and industrial employment were also included to illustrate the extent to which countries have shifted towards a post-Fordist economy, which is one of the factors commonly considered to foster the growth of non-standard work. The first component accounts for 53 per cent of the common variance and all the variables load significantly on it (Table 4.2). This dimension describes different 'shapes' of employment relations: its positive and negative extremes point at the prevalence of different forms of non-standard work, while its centre is characterised by the prevalence of standard employment (Fordist regulation). More precisely, high values correspond to the prominence of self and temporary work and industrial activities, and low values to higher shares of employment in part-time and service jobs.

Figure 4.1 plots each country's position based on their scores on the two dimensions. Four models of labour regimes are clearly distinguishable:⁷

- 1) Flexible-exclusive familialistic (Italy, Greece, Portugal, Spain);
- 2) Standard-exclusive one-generation (Belgium, France);
- 3) Standard-inclusive Fordist (Germany, Ireland, Finland and Austria);
- 4) Flexible-inclusive half-time (Denmark, Netherlands, Switzerland, Norway, Sweden, United Kingdom).

The following section illustrates in detail each labour regime model (Table 4.3). Further descriptive variables concerning mainly the characteristics of care, pensions, and education systems have also been used (Table 4.4). These variables were not used in the construction of the

Table 4.2 Principal component analysis of standardisation dimension

Variables	Component loadings	Component score coefficients
Employment in services (% total employment)	-0.92	-0.29
Part-time/full time ratio	-0.72	-0.23
Employment in industry (% total employment)	0.82	0.26
Employment protection legislation (EPL)	0.64	0.20
Self-employment/dependent employment	0.63	0.20
Temporary/permanent employment	0.57	0.18

Note: Estimates relative to the first component calculated by principle component method with varimax rotation; the component has an eigenvalue of 3.2.

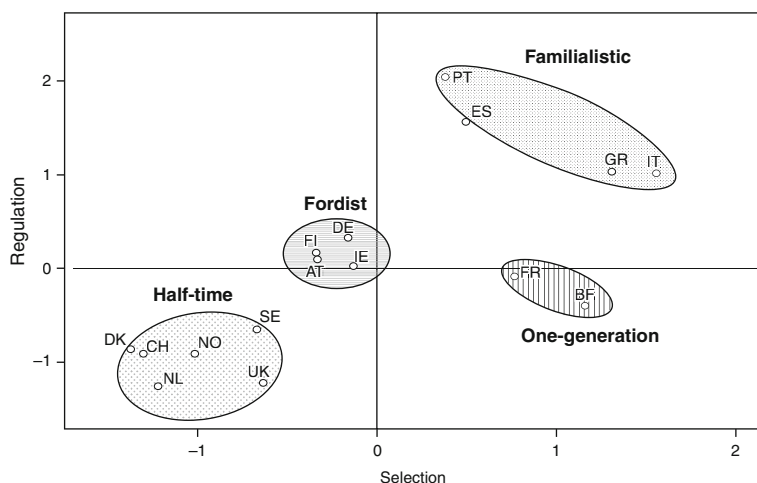


Figure 4.1 Labour regime clusters, 2007

Note: The sign of the selectivity scores has been reversed to facilitate their interpretation (negative scores=low selectivity, high scores=strong selectivity).

Table 4.3 Labour regimes' characteristics (2007)

Labour regime	Selection	Regulation and main reform pattern
Familialistic	High (-) women (-) youth	Low standardised and high regulated (+) self (+) temporary (-) part-time (+) agriculture and industrial employment
One-generation	High (-) older people (-) youth	High standardised and high regulated (-) self-employment (-) temporary (-) part-time (+) service employment (public)
Fordist	Average-low (+) youth (+) women (-) older workers	High standardised and high regulated (-) self-employment (-) temporary (+) (marginal) part-time (+) industrial employment (large corporations)
Half-time	Low (+) women (+) youth (+) older workers	Low standardised and low regulated (-) self-employment (-) temporary (+) part-time (+) service employment

Table 4.4 Descriptive variables per labour regime model (2007)

<i>Variables</i>	<i>Labour regime</i>			
	<i>Half-time</i>	<i>Fordist</i>	<i>One-generation</i>	<i>Familialistic</i>
Non-standard work (% of total employment) ¹	51.9	41.9	41.4	48.2
Family workers (% of total employment) ¹	0.6	0.9	0.9	2.5
Employment in public administration (% of total service employment) ¹	8.1	9.0	13.6	10.7
Involuntary part-time work (% of total employment) ¹	13.0	19.0	24.2	39.0
Total fertility rate ²	1.77	1.65	1.98	1.37
Mothers of children <14 years working full-time using relatives/ neighbours/ friends as main type of childcare ³	9.4	12.9	24.5	33.5
Expenditure on family policies (% of GDP) ⁴	2.3	2.9	2.3	1.3
Early school leavers (18–24 years) ⁵	13.2	10.8	12.5	25.2
Participation rate of youth in education ⁵	61.8	61.9	64.4	57.3
Workforce (15–64 years) with low educational attainment ¹	41.9	32.4	20.6	46.4
Workforce (15–64 years) with tertiary education ¹	31.6	28.7	34.1	22.3
Male average actual retirement age (2002–2007) ⁶	63.4	62.2	59.1	62.5
Female average retirement age (2002–2007) ⁶	62.3	61.3	58.9	62.6
Expenditure on early retirement for labour market reason (% GDP) ⁴	0.0	0.13	0.25	0.03
Expenditure on disability pensions (% GDP) ⁴	2.0	1.2	1.1	1.2

Notes: ¹EULFS, 2007, non-standard work refers to temporary, part-time, and self-employment.

²Eurostat demographic indicators; ³EULFS ad hoc module 2005; ⁴ESSPROSS database, 2006;

⁵EUROSTAT Education and training statistics, 2007; ⁶OECD pensions at a glance, average 2002–2007.

indexes, but they serve to facilitate comparisons between clusters and illustrate the possible linkages and interdependencies between welfare and labour regimes.

5 Flexible-exclusive familialistic regimes: (Italy, Greece, Spain, Portugal)

The combination of family-centred welfare states and family-biased production systems has resulted in the limited engagement of these countries populations in salaried employment. These labour markets are the most selective in Europe, especially towards youth and women. According to Paci (1973), this phenomena represents a typical by-product of that model of belated capitalism characterising these countries. This model shows in fact a tendency to select the most productive portions of the labour force (prime-age men, averagely educated and living in urban settings), while systematically excluding and/or only marginally using other potential labour force groups. Yet, their exclusion is never complete as they normally end up finding their subsistence in marginal and smaller industries. Indeed, it was during the period of industrial development that the foundations of the strong division typical of Mediterranean economies between a primary (large corporations) and secondary (precarious jobs in marginal/undeclared activities) labour markets were laid.

Familialistic regimes are normally depicted as having very rigid labour markets in spite of having some of the highest shares of atypical employment in Europe. The limited presence of individuals and families fully dependent on salaried income for their living represents a distinctive feature of this model (Andreotti et al. 2001). Self-employment and irregular activities in small family businesses and underground activities are traditionally widespread forms of work in these countries, while temporary jobs and new forms of 'pseudo' self-employment have also risen considerably (EIRO 2002). The industrial structure of these countries is characterised by the prevalence of small and medium-size family enterprises, family ownership and comparatively larger shares of family workers. These features are largely the legacy of their belated industrial development, and of the historical presence of authoritarian regimes and strong political parties with a Christian democratic ideology (Andreotti et al. 2001). Both were adverse to forms of extreme proletarianisation that could have led to the growth of manufacturing working class largely represented by Communist parties. Their common adherence to an organicist view of the family as the basic and natural unit of

social functioning also deeply influenced the 'ambivalent familialism' of social policies in these countries (Saraceno 2004). As stated by Trifiletti (1999), in the face of weak states and scarce supports, families have been allowed to gather as many 'breadcrumbs of revenue' as they could by bringing together odds and ends of income wherever they could find them. This combination of strict regulations, generous provisions and limited diffusion of standard employment has given rise to strongly dualistic labour markets.

6 Standard-exclusive one generation regimes: (France, Belgium)

This labour regime is based on a division of labour among generations with only one generation (25–55 years) working at a time. Age represents the main criteria used to discriminate among potential labour force groups in these countries, while women's employment has been traditionally high and full-time (Morgan 2006). The limited engagement of population groups in the labour market stems from the combination of delayed entry of youth in the labour market and early exit of elderly people from the working life. However, whereas youth employment has been in constant decrease from the beginning of the 1980s, older people's employment has experienced a moderate growth in the last decade. This has resulted from the partial reversal of the labour shedding strategy adopted by many continental economies following the economic crises of the 1970s (Ebbinghaus 2006). From the beginning of the 1990s, pension systems have been reformed under the combined pressure of financial strains, demographic trends and pressures from the European Union. However, these reforms have produced a limited effect. A strong institutional resilience appears to characterise this field of policies as every time an early retirement scheme was closed, it was replaced by another one a few months later (Mandin 2003). Moreover, the availability of multiple early retirement paths – for example the use of unconditioned unemployment benefits as a form of 'bridging pension' until normal retirement age – has also contributed to limit the effect of reforms on older people's labour market engagement (Ebbinghaus 2006). Hence, the overall result of reforms has often been to shift costs from one public programme to another.

Persistently strict regulations and limited diffusion of non-standard jobs are distinctive features of this regime. Both the dynamic of the political system and the characteristics of the labour market have been relevant in shaping this outcome. Labour market rigidity has played a

smaller role in public debates and policy reforms than in other European countries. In particular, France is among the few European countries to have tightened rules on permanent employment (EPL) since the mid-1980s (Vlandas 2013). A characteristic feature of French political discourse consists in the general distrust of pure market forces and a strong statist tradition that unites both left- and right-wing parties. Accordingly, governments have not generally acted to promote the use of atypical contracts and the few initiatives taken (e.g. by the right-wing government in 1986 to relax regulations of dismissal and the use of atypical contract) had soon to be withdrawn or watered down by subsequent governments. Large social mobilisations and public opinion hostility also played an important role in limiting the governments' possibility to relax labour protections in these countries (Levy 2005). Accordingly, labour market flexibilisation has occurred mainly by 'stealth' (Barbier and Fargion 2004) and has always been limited by governments' necessity to 'come to terms with the streets' (Eichhorst 2007).

Finally, the considerable role played by the state as 'employer of last resort' explains to a large extent the dynamics of service expansion in these countries, which have some of the largest shares of service employment in Europe. In the face of increasing job shortage and according to a long – but apparently fading – tradition of 'dirigisme' (Schmidt 2003), the public sector has acted as a buffer to prevent what might otherwise have been a massive rise of unemployment. Accordingly, we find the highest share of civil servants within this regime model (13.6 per cent), while the creation of subsidised jobs (*contract aides*) has traditionally represented another privileged instrument used to tackle the unemployment of problem groups in the labour market – in particular, youth and low-skilled (Vail 2008). This has in the end contributed to an increase in 'government sponsored' labour market dualisation – albeit more limited than in other continental economies – through the creation of a second tier of low skilled state-subsidised jobs (Eichhorst and Marx 2010; Palier and Thelen 2010)

7 Standard-inclusive Fordist regimes: (Germany, Austria, Ireland, Finland)

At first glance this group of countries strikes as a strangely assorted mix made up of different welfare regimes, two high growth economies in the period 1991–2007 (Austria and Ireland) and two countries that experienced severe economic downturns following some events at the beginning of the 1990s (the German reunification and the Finnish great

depression). Their belonging to the same model appears driven by their sharing a number of common features: (1) similar sectoral employment structures with considerable shares of industrial employment in large enterprises; (2) the prevalence of standard full-time waged employment with high levels of stability; (3) a growing engagement of population groups in paid employment, in particular of women and older people. Nevertheless, different starting points and evolutionary dynamics seem to characterise Germany and Austria on the one side, and Ireland and Finland on the other. The first two countries represent clear cases of a distinctive model that has received much attention in scholarly literature (Albert 1991; Hall and Soskice 2001; Katzenstein 1985; Lash and Urry 1987; Shonfield 1965), while Ireland and Finland are notorious labour market outliers insofar that a lively debate has often centred around the nature of their supposed exceptionalism (Cousins 1997; Elvander 2002).

This group of countries has experienced the most rapid and radical labour market changes. This labour regime is thus better understood as an ideal typical location with countries transitioning in different directions. The most relevant changes in Austria and Germany have concerned a significant increase of non-standard employment (e.g. part-time work, mini-jobs, agency work) according to a strategy of deregulation at the margins (see Shire and Tünte, this book). As a result, these countries' labour markets, once associated with 'few, but good jobs', are today experiencing a growing dualisation of employment conditions. Finland and Ireland in turn were up to the onset of the 2007 recession essentially shifting along the selection dimension. The major change in these countries' labour regime has concerned the increased participation of different groups of population in paid work (mostly with regard to older people in Finland and women in Ireland).⁸ Nonetheless, the labour regime of these two countries continues to configure a distinct model.

8 Flexible inclusive half-time work centred regimes: (Denmark, Netherlands, Norway, Sweden, Switzerland, United Kingdom)

The countries belonging to this labour regime are work-centred societies emphasising the right/obligation of its members to work (Leibfried 1992). Marginal labour force groups enjoy higher employment rates than in all the other models;⁹ yet, more than elsewhere, women, older people, and youth are in part-time jobs. Therefore, the radical nature of the

commodification labour – the degree according to which people engage in work in exchange for a salary – is counterbalanced by the large diffusion of reduced working hours. Part-time work is also more voluntary than in the other models: only 12.8 per cent of part-timers declare that they would like to work more hours, compared to a European average of 21.6 per cent, and as much as 38.2 per cent in familialistic countries. The employment systems of these countries also shows very high shares of service employment, whether in the public sector as in the Nordic countries or in personal services and other private sector activities as in the United Kingdom, and to some extent in the Netherlands.

Consistent with this emphasis on labour mobilisation, individuals' integration in employment is explicitly targeted through measures aimed at activating labour supply. Indeed, it is within this group that we find both the country that first developed active labour market policies as far back as the 1940s (Sweden), and the forerunners of the flexicurity (Denmark, Netherlands) and workfare (United Kingdom) approaches. Nevertheless, there are considerable differences between these two ideal types of activation, concerning in particular the role of the labour market, the legitimacy of individual claims on society and the responsibilities of the state. According to Dingley (2007) differences can be subsumed under three dimensions: (1) the stringency of labour market participation criteria; (2) the conditionality of rights on individuals' obligations; (3) the promotion of employability and social equity and the provision of services. Simplifying, we can state that while the liberal workfare model emphasises the first two aspects, the universalistic flexicurity approach stresses the last one. Recently, however, northern European countries have also increased individuals' obligations to find and accept a job due to pressures to contain social expenditures (van Oorschot and Abrahamson 2003).

The fact that we find within this regime model both more residual (United Kingdom) and universalistic welfare states (Scandinavian countries) may appear inconsistent. However, the belonging of these countries to the same model is determined by their having found the same solution for their labour markets (vigorous employment promotion) in spite of differences in the ways their welfare states are organised. In this view, Hicks and Kenworthy (2003) show that, including family and work policies among the dimensions used to classify welfare regimes, liberal and social democratic welfare states lie at the opposite poles of the same dimension (labelled 'progressive liberalism'), implying similar effects on 'jobs' (employment, share of female of the labour force) but different effects on 'incomes' (poverty reduction, female share of

earnings). These two models of welfare regimes are also more similar than one would first say. On the one hand, social-democratic welfare states have been supportive of decommodification measures insofar as they did not reduce aggregate levels of employment. These countries actually provide the most convincing evidence against the widespread idea that generous social provisions necessarily produce high unemployment levels. Huo et al. (2008) demonstrate that the apparent paradox of Nordic countries – having at the same time generous decommodifying social protection and highly commodified labour markets – disappears once we take into account the differential employment-effect of social policies. In this view, social-democratic states are keen on employment-friendly measures and generous short-term unemployment benefits insofar as they do not reduce aggregate employment levels and leave few options for people to live outside the labour market (e.g. disability, health conditions).¹⁰ On the other hand, the social-democratic and liberal welfare states also share some similar features – generally subsumed under the Beveridgean social policy category – with regard to sources of financing (taxation) and demarcation of entitlements (citizenships), but differ with regard to the criteria giving access to benefits (right and need, respectively) and their level (higher or lower) of generosity (Abrahamson 2006). As otherwise stated by Huber and Stephens, ‘the essence of the social democratic welfare state is not decommodification, but rather high qualification and participation in the labour market’, while the main source of differences from the liberal welfare state lies the ways individuals are treated when involuntarily separated from the labour market (2001: 184).

9 Conclusion

It is often difficult to set a clear separation between labour regimes and other aspects of national political economies such as social protection, production, and industrial relation systems since the boundaries between these institutional complexes are often blurred both conceptually and empirically (Ebbinghaus and Manow 2001). Nevertheless, the inclusion of labour markets and worlds of employment within comparative political economy literature has shown a strong tendency to be entirely subsumed within typologies of welfare states, in spite of the multiple and complex interactions between these two institutional spheres (Wincott 2001). The main argument of this chapter is that we cannot easily assume a one-to-one relationship between welfare and labour regimes and that existing classification

of welfare regimes may at best provide a partial understanding of the functioning of labour markets because they neglect differences in the ways in which the commodification of labour has historically taken place across countries. Accordingly, this analysis takes a different starting point by looking at the ways in which labour is mobilised in different political economies. This definition of a labour regime yields four distinct types – flexible-exclusive, standard-exclusive, standard-inclusive, and flexible-inclusive. Qualitative differences between these models concern their degree of selectivity towards different population groups, and the relative importance of various forms of non-standard employment relations.

These four labour regime models only partly coincide with prevalent welfare state typologies. First, conservative welfare regimes do not form a coherent cluster. Conversely, both the liberal and social-democratic welfare states belong to the same labour regime – flexible inclusive. Therefore, different welfare forms appear to go hand in hand with similar labour market outcomes (e.g. radical but part-time proletarianisation). Indeed, welfare states contribute to shaping different labour regimes, as shown by the fact that different degrees and kinds of selectivity are influenced by the characteristics of education and training systems, the availability of pensions, disability, family, and other income support programmes. Nevertheless, there is no clear evidence on the actual direction of this causal link (from welfare to labour regimes or from labour welfare regimes) and their relationship is better conceptualised as one of reciprocal causation. Thus, while some dimension of their variation might clearly fall in both domains, other factors and institutions must also have been influential in shaping these different employment models, such as demographic variables, immigration/emigration dynamics, productive systems, family models, or country size. This suggests that ‘the same welfare state regime is compatible with different – but not any – labour market institutions and policies’ (Huber and Stephens 2001: 90).

Notes

1. Data refers to the average employment rate 15–64 years in the EU15, Norway and Switzerland (EULFS data, 2007).
2. Other commonly used criteria that are not analysed in this chapter are ethnicity and physical conditions/disability (Offe 1985).
3. There is a positive correlation of 0.69 between selection and de-standardisation. However, repeating the analysis for 1991 leads to a value of only 0.51, indicating that the relation is contingent and becoming stronger with time.

4. The first two components of a PCA analysis with varimax rotation on all 13 indicators account for 69 per cent of the total variance. The selectivity indicators load strongly on the first component (>0.80). The second component is defined chiefly by temporary employment ($-.86$), industrial employment ($-.71$); EPL ($-.70$) and service employment (0.73). As expected, part-time work loads positively on both components ($.64$ and 0.40).
5. Luxembourg was excluded from the analysis because of the peculiarities of its economy (GDP per capita and financial activities considerably above EU average) and the small dimension of its resident population.
6. Data refers to the OECD indicator of EPL version 1, which contains information on temporary and permanent contracts, but leaves out regulations on collective dismissals.
7. This result was confirmed by a hierarchical cluster analysis on the component loadings using Ward's method of agglomeration.
8. The recession in 2007–2008 will have considerable impact on the Irish labour market, pointing at an increased importance of involuntary part-time work and other forms of underemployment. See, for instance, Murphy and Loftus in this book.
9. Selectivity in this labour regime could be rather directed towards migrant workforce. In 2001, the difference between the unemployment rate of male foreign and natives workers in Sweden was equal to 10.6 per cent and in all the countries belonging to this regime model foreigners are between 2–3 times more unemployed than national (Pioch 2004). This ratio is more or less equal to 1 in familialistic regimes.
10. Disability benefits represent one of the traditional few exit routes from the labour market in this labour regime, with expenditure levels (2 per cent of GDP) that are on average double those of other labour regimes.

5

Reforming Welfare States and Changing Capitalism: Reversing Early Retirement Regimes in Europe

Bernhard Ebbinghaus and Dirk Hofäcker

1 Introduction

Early exit from work has been a major trend since the onset of mass unemployment during the 1970s, whereas the reversal of early retirement has been on the agenda of welfare state reform for about two decades. Most prominently, the European Union (EU) set the Lisbon 2010 target to achieve higher employment rates (above 50 per cent) among older workers (aged 55–64). However, only some EU countries were able to meet this goal since early retirement has become deeply entrenched. The rise and subsequent persistence of early retirement has been seen as a consequence of the expansion of social rights as well as a reaction to economic developments; these are commonly interpreted as ‘pull’ versus ‘push’ factors.

From a *pull* perspective, the welfare state provides incentives to exit work at the earliest possible retirement age, a quasi-tax on continuing working (Gruber and Wise 1999). There have been multiple ‘pathways’ to retirement via pre-retirement, disability, or unemployment benefits as well as company policies (Kohli et al. 1991). Moreover, early retirement was also a reaction to economic *push* factors, in particular mass unemployment and economic restructuring. Politicians, employers, and unions sought early retirement as passive labour market policies and as a socially acceptable strategy to alleviate the labour market and to externalise restructuring costs on public social protection (Naschold and de Vroom 1994). Thus welfare states provided ‘politics for markets’, helping labour shedding in an era when employment tenure and seniority wages were a significant factor in organising production.

Changing these protection and production institutions has been difficult due to the ‘path dependence’ of national regimes. A new reform

consensus emerged that criticises the ‘welfare without work’ problem (Esping-Andersen 1996): labour shedding has increased labour costs rather than alleviating the labour market. Following the activation paradigm shift, not least as a consequence of the EU’s employment targets, politicians now seek measures to increase employment among older workers and delay the exit from work. Strikingly, a number of countries with a previous early retirement trend have seen a significant decline in early exit from work, including Sweden and even the rather ‘locked’ regimes of Germany and the Netherlands.

In the following we provide a comparison of the scope of early exit from work and its most recent reversal across ten European countries. Previous comparative studies have mapped cross-national variations in the development of early retirement in the late twentieth century (see for example Ebbinghaus 2006; Hofäcker and Pollnerová 2006; Kohli et al. 1991). However, there have been only few comparative studies that analyse the recent gradual reversal of early exit with the help of age-group specific employment figures (see also Ebbinghaus and Hofäcker 2013). We will address two main questions: First, how can we explain the cross-national variations at the peak of early exit regimes, and second, why have some countries made more progress than others in reversing the trend toward early exit from work? We will compare, in a necessarily rather stylised comparison for two time periods, the level of employment and the rate of early exit from work for older men (aged 60–64) around the mid-1990s (or its peak) and the change in early exit for this group since then. Based on these indicators we rank the early exit regimes in an ‘ordinal comparison’, discussing cross- and intra-regime institutional variations in protection and production systems.

We restrict our comparison to a selected set of European countries that represent typical examples of important institutional configurations regarding welfare state policies and labour market regulations (see Esping-Andersen 1990; Ebbinghaus 2006; Blossfeld, Bucholz and Hofäcker 2006; see also Chapter 4). The United Kingdom and Ireland represent the *liberal* or residual welfare regime; Germany and the Netherlands are included as typical cases of the *Continental conservative* regime; Denmark and Sweden represent the *universalist social-democratic regime*; France and Italy are examples of the *Latin* regime; and finally, despite limited data availability (not least due to their late entry into the EU) we also include two *Central and Eastern European* (CEE) transition countries: Hungary and the Czech Republic. These ten countries cover nearly the whole spectrum of variation at the peak of early retirement, and it includes path divergence in reversing early retirement even after the 2008-crash.

In this chapter, we first map the employment levels and early exit from work for older men (aged 60–64) for the mid-1990s and the most up-to-date figures. There is a wide variation across Europe, but also considerable path departure in recent years. We focus on men in this age group, because they are most affected by labour shedding strategies and generous early retirement rules (for an analysis of further age groups and women see Ebbinghaus and Hofäcker 2013). We then discuss whether protection-related pull via more or less generous pathways can explain the peak of early retirement patterns across the ten European welfare states around the mid-1990s. Subsequently, we discuss the production-related pull factors such as seniority employment and long-term unemployment. We then turn to the reversal in early retirement by welfare retrenchment, in particular the increase in retirement ages and the closing down of early exit options. Finally, we investigate the retention strategies of the state via active labour market policies and firms' continued training measures in order to (re)integrate older workers as long as possible into the labour market. We conclude our chapter by highlighting the lessons from the described path departure and the intricate interaction of protection and production related factors.

2 Early exit from work in cross-national comparison

For analysing the expansion of early retirement and its reversal, we compare the employment level and the relative rate of early exit from work for male older workers aged 60–64 (Ebbinghaus 2006; Ebbinghaus and Hofäcker 2013), given that by the late 1960s, most OECD countries had institutionalised the age of 65 (if not earlier) as the normal statutory pension age (Kohli et al. 1991). Adopting the benchmark of 65 allows us to compare early exit from work across countries and irrespective of cultural or institutional practices. Employment rates for men in the age group 60–64 provide an indicator of gainful employment among the older workforce prior to the age of 65. As we are interested in early exit from work, we consider unemployment in this age group as a bridge to retirement and thus as an indication of effective labour force withdrawal – functionally equivalent to other pre-retirement pathways such as disability pensions (see Ebbinghaus 2006; Hofäcker and Pollnerová 2006).

In order to contrast the situation at the 'peak' of early retirement in Europe with its current reversal, we compare (see Figure 5.1) the employment rate for men 60–64 in 1995 (or closest available year) with most

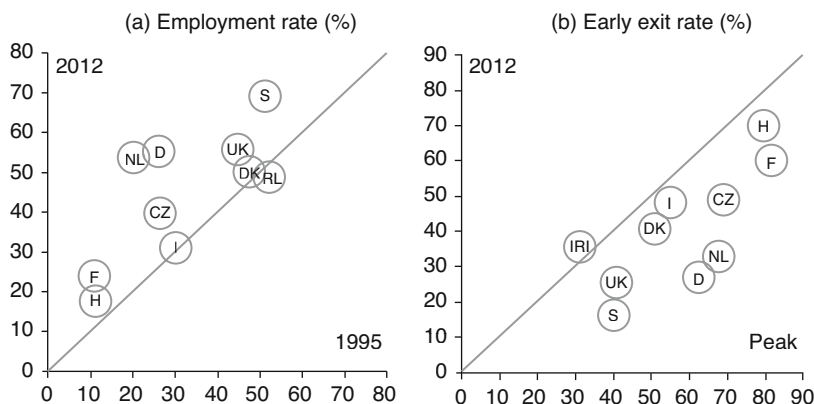


Figure 5.1 Employment and early exit, men 60–64, OECD (1995–2012)

Notes: Employment in percentage of population, cohort-adjusted exit rate, peak in early exit before 2008. Countries: CZ: Czech Republic, D: Germany, DK: Denmark, F: France, H: Hungary, I: Italy, IRL: Ireland, NL: Netherlands, S: Sweden, UK: United Kingdom.

Source: OECD Labour Force Statistics, 2014, own calculations (see Table 1).

recent data from the year 2012. There is considerable cross-national variation during the heydays of early retirement: employment levels range from around 50 per cent in Ireland and Sweden, followed by UK and Denmark, to only around 10 per cent in France and Hungary, while Germany, the Netherlands, the Czech Republic and Italy range in between 20 and 30 per cent. With few exceptions due to the recent economic crisis (Italy and Ireland), all countries had improved their employment situation by 2012 (located above the diagonal). However, the largest progress in meeting EU activation targets has been achieved by Germany and the Netherlands, which both increased employment by more than 30 percentage points. These two cases of policy reversal are followed by Sweden, France (very recently), the Czech Republic and Britain, and with minor improvements Denmark and Hungary. Latin and Eastern countries still exhibit an employment rate of less than 50 per cent, while most of the others cluster around this threshold. Only Sweden stands out with reaching nearly 70 per cent employment among those in their early 60s in 2012.

Our second indicator (see Figure 5.2) – the early exit rate (Ebbinghaus 2006) – takes an even more dynamic cohort perspective by measuring the decline in the employment rate of men aged 60–64 relative to their employment level five years earlier (age group 55–59). Instead of 1995, we now take the peak level of early exit from work (prior to

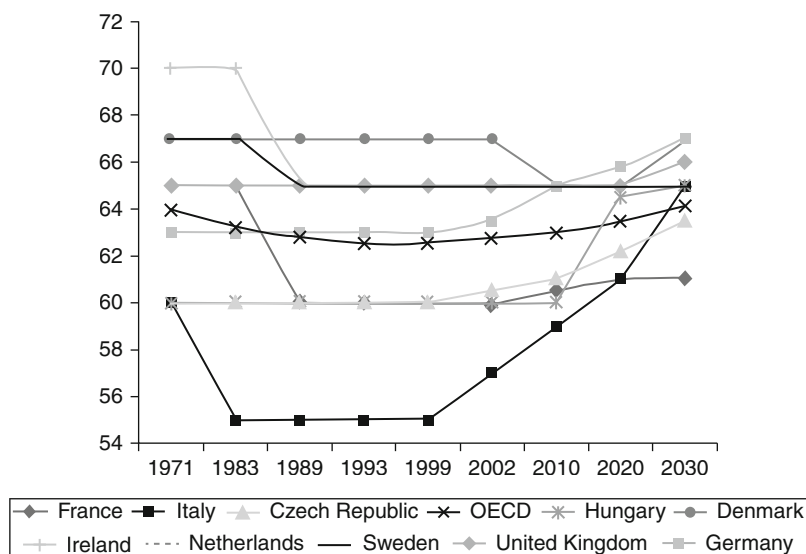


Figure 5.2 Statutory retirement age for men, OECD (1971–2030)

Source: OECD 2011 (Table: 'Men's pensionable age in OECD countries').

the 2008-crash) as the starting point and compare it to the current situation (2012). The highest level of early retirement was achieved in France and Hungary, where four out of five men had already left work by the age of 65. More than 60 per cent of Dutch, Czech, and German workers and 50 per cent of Italian and Danish workers had already withdrawn early, while British, Irish, and Swedish workers were less likely to do so (30–40 per cent). Although employment level and early exit rates correlate, there are some differences due to the fact that cohort-adjusted early exit rates reflect the relative decline compared to the age group 55–59, whereas the employment level provides an indication of the still active men in the age group 60–64. For instance, as many Italian men tend to leave already before the age of 60, early exit of Italian men aged 60–64 seems less dramatic than for their Czech colleagues, although the employment rate is nearly at the same low level for men aged 60–64 in both countries during the mid-1990s.

The main shift in reversal of early exit from work achieved by 2012 is reflected in the placement below the diagonal in Figure 5.1(b): the exception is Ireland (where the exit rate again increased due to the crisis), but also Italy, Hungary, and Denmark have hardly improved their

performance regarding the employment integration of older workers. In contrast, Germany and the Netherlands have reversed their early exit trend considerably, followed by the Czech Republic and Sweden as well as Britain and (most recently) France.

Simultaneously considering all our indicators (for details see Ebbinghaus and Hofäcker 2013), we compare the different clusters of countries with respect to their ability to reverse early exit from work (see Table 5.1). The Latin and Eastern countries mark one group that consists of *entrenched early exit* countries which have not been able to reverse the high level of early exit (France and Hungary) or have made only moderate progress, such as Italy or the Czech Republic. A second group of countries is represented by the Nordic and liberal countries: Denmark and Sweden as well as Ireland and the United Kingdom; they have maintained a *medium or lower level of early exit*, though these countries have experienced some cyclical patterns following overall unemployment. Among these countries, Sweden has shown an exemplary decline from an already medium-low level. However, Ireland had experienced some decline during the last decade, when it was hit by the post-crash crisis and early exit re-emerged. Finally, there are some Continental European countries with a remarkable reversal: Germany and the Netherlands (leaving the high-medium rank).

Table 5.1 Employment and early exit, men 60–64, 1995 (or peak year) and 2012

		Employment rate			Early exit rate			
		1995	2012	+/-	Peak	(Year)	2012	+/-
A Latin	France	10.9	23.7	+12.8	81.8	(1998)	59.6	-22.2
	Italy	30.3	30.7	+0.4	55.0	(1996)	48.0	-6.9
B East	Czech R.	26.7	39.4	+12.7	69.3	(2001)	49.1	-20.2
	Hungary	11.5	17.4	+5.9	79.6	(1997)	70.1	-9.6
C Centre	Germany	26.3	54.8	+28.5	62.9	(1996)	26.6	-36.3
	Netherlands	20.5	53.3	+32.8	67.7	(1995)	32.3	-35.4
D Nordic	Denmark	47.5	50.0	+2.5	51.0	(2000)	40.3	-10.7
	Sweden	51.3	68.6	+17.3	40.7	(1995)	16.3	-24.4
E Liberal	Ireland	52.0	48.5	-3.5	31.6	(1995)	35.6	+4.1
	United Kingdom	45.1	55.3	+10.2	41.4	(1986)	25.5	-15.9

Notes: Employment rate (%): men employed in % of population for age group (age 60–64), early exit rate (%): decline in employment rate for age group (age 60–64 t_0) relative to same cohort five years earlier (age 55–59 t_{-5}), peak: year with highest exit rate prior to 2008-crash.

Source: OECD Labour Force Statistics 1995–2012, own calculations.

3 Do welfare state regimes pull older workers into early retirement?

Across all Western European market economies, early retirement diffused, as social rights were expanded in democratic welfare states in order to relieve labour markets during mass unemployment since the late 1970s. After the fall of the wall, the two CEE countries applied similar early retirement practices during the transition period, so that early exit from work before 65 remained widespread during the 1990s. However, the Nordic welfare states and liberal market economies were affected by early exit at a markedly lower level and in a more cyclical manner. These seemingly systematic patterns of early exit raise the question of whether it is possible to explain the cross-national variation in early exit from work at its peak by the differences across European welfare state regimes.

Earlier research supports such a link between welfare regimes and patterns of early exit from work: Protection-related 'pull' factors (Ebbinghaus 2006) have been seen as providing multiple opportunities for individual workers to exit work early. Economists have argued that pension schemes or other public benefits often provide an implicit tax on continuing to work (Gruber and Wise 1999). In particular, old age pension systems that offer a pre-retirement option without or with only a small actuarial reduction provide major incentives for individuals to stop working early. Additionally, welfare regimes structure the transition from work to retirement through multiple supplementary 'pathways' to retirement such as disability income support and unemployment benefits (Kohli et al. 1991). Finally, also Esping-Andersen (1990; 1996) has regarded variations in (early) retirement patterns as phenomena particularly determined by welfare state regimes.

Among the main pathways to early exit, old age pensions and special pre-retirement schemes play a central role (Ebbinghaus 2006; Kohli et al. 1991). Many pension schemes allow retirement before the age of 65, often featuring special rules for those with long contribution records ('seniority pensions'), for hazardous occupations, for the long-term unemployed, and for women. In addition, disability pensions have been criticised for providing pathways into early exit from work. Disability pensions vary considerably across countries (Prinz 2003), they have often been the last resort for early exit for those that were unable to find a job due to their age and thus gain particular importance during economic crisis (Ebbinghaus 2006). Unemployment benefits, particularly in countries with long-term benefits, provided an additional 'bridge' (Guillemard and van Gunsteren 1991) to retirement for older workers.

By considering the available pathways to early retirement, we can establish an explanation of the cross-national variation in early exit through protection-related ‘pull’ factors (see Table 5.2). Countries with high levels of early exit have a relatively elevated level of pension spending (including disability transfers) compared to liberal welfare states with the exception of CEE countries. However, spending indicators provide insufficient explanation of variations in early exit: Both Scandinavian welfare states exhibit similarly high levels of spending, and in respect to pension generosity they also provide relatively generous levels of wage replacement, but still have lower early exit rates than Continental European countries. A closer inspection reveals that it is less the economic resources and generosity per se but their combination with early retirement ages (at least for those with longer contributory records) that matters. While the low-moderate exit countries of Nordic and Liberal welfare states grant public pensions to men only at 65 or later, the Latin and CEE countries as well as Germany have clearly lower pension age options for men. Notably, this is not the case in the Netherlands, where public pensions are granted at 65 only, but there are alternative public and private pathways available.

Based on our ordinal comparison of early retirement pathways prior to recent reforms (see Table 5.2), we can detect that the early exit level

Table 5.2 Protection-related pull indicators, Europe mid-1990s

	Country	Pension expenditure	Pension generosity	Pension age	Index of pathways	Exit pattern
A	France	14.3	14.4	60* (65)	9	Early, high
	Italy	13.2	14.3	55* (60)	12	Early, high
B	Czech Republic	8.7	–	♂ 60	8	Early, high
	Hungary	(9.0)	–	♂ 60	10	Early, high
C	Germany	13.2	8.0	♂ 63* (65)	9	High
	Netherlands	11.3	13.2	65	8	High
D	Denmark	12.1	14.6	67	6	♂ Mod.
	Sweden	15.5	16.2	65	5	Moderate
E	Ireland	6.6	10.9	65* (66)	3	Low
	UK	8.9	9.1	♂ 65	♂ 5	♂ Mod.

Notes: Pension expenditure: old age, survivor, and disability pensions (% GDP), pension generosity: index based on decomodification, pension age: earliest (and normal) statutory retirement age (♂: men only, for women earlier), (*): seniority contributory pension, index of pathways: qualitative assessment of availability, access and generosity of early exit pathways (see Ebbinghaus 2006 and Ebbinghaus and Hofäcker 2013 for coding).

Source: Scruggs CWED dataset (Scruggs 2006); OECD Social Expenditure; Ebbinghaus and Hofäcker 2013.

strongly relates to an index that measures the availability of multiple pathways provided by pension systems, unemployment schemes, and disability benefits (based on country information in Ebbinghaus 2006 and Blossfeld, Buchholz, and Kurz 2011). The high exit countries (Italy, France, Hungary, and the Czech Republic) display the highest score (8 or more), reflecting their low statutory retirement age and early seniority pensions. Germany and the Netherlands also show notable levels of early exit from work, combined with a medium index score, followed by the 'outlier' Denmark. The least generous protection systems, providing only few early exit options, are the remaining countries of liberal welfare states (Britain and Ireland) and Scandinavian universalism (Sweden). This comparison indicates that the availability of pathways conforms to the overall exit pattern in the expected way as assumed by the pull thesis. Nevertheless, the pull perspective remains a one-sided view unless we also take into account the push effects of labour shedding strategies that have a more economic rationale.

4 Do varieties of production regimes push older workers out?

While pull factors primarily affect the individual *decision* of older workers to retire (or continue working), push factors assume that structural labour market conditions are *crowding out* older workers from employment. In fact, we argue that pull factors have to be seen in the context of push factors; they can be 'institutional complementarities' (Hall and Soskice 2001) that facilitate an early exit from work following economic rationality. Moreover, there is sometimes a collusion between labour and capital in using early retirement options to serve economic needs; welfare state policies would then be politics for markets. For example, Danish, Dutch, and German unions and employers negotiated pre-retirement schemes to facilitate labour shedding under severe labour market conditions (Ebbinghaus 2006; Blossfeld et al. 2006). Thus, we also need to look at the economic push factors and the policies that foster reintegration of the unemployed and retain older workers in employment.

Economic push effects first and foremost can be attributed to the *business cycle*, especially to economic downturns that put pressure on national labour markets. Under these unfavourable conditions, older workers are more likely to accept alternative roles as pensioners than younger workers would accept being unemployed (Blossfeld et al. 2006). Early retirement as a socially accepted form of downsizing has been preferred by unions and works councils, particularly in continental Europe (see

Chapter 7 on union movements). During recessions older workers were disproportionately pushed into (voluntary) unemployment or offered early leave, leading to peak waves in early exit (Ebbinghaus 2006: 178). In liberal economies (such as Britain) or small open economies (such as Denmark), early retirement mirrored the economic cycle: immediate increases in times of economic recessions and declines in times of economic boom (Hofäcker 2010). Likewise, the recent reversal of early retirement has been facilitated by the overall economic recovery during the last decade, at least until the financial market crash of 2008.

Another frequent argument has been that the processes of *deindustrialisation*, *economic restructuring*, and *occupational changes* affect older workers disproportionately. Scattered evidence suggests a relationship with downsizing, though this holds more for the beginning than for the long-run trend, since early retirement was extended into a general pathway far beyond declining sectors (Ebbinghaus 2006). Yet, although variations in the business cycle and deindustrialisation may play a role in explaining the emergence of early exit from work, these accounts of economic processes fail to fully explain cross-national variations in the long-term early retirement development. Although during the initial phase of early exit there is some linkage, early retirement persisted in some countries even at times when the economy boomed or when deindustrialisation already had surpassed its peak.

Similarly, some argue that shifts in industrial structures and technological advances in a globalising economy have transformed skill requirements (Blossfeld et al. 2006), making older workers' qualifications obsolete more quickly as employers shun the costs of updating their skills. Again, for the initial early exit wave this argument about lower qualification replacement is a useful explanation. However, it can be assumed that as early retirement continued, workers with redundant qualifications were selectively shed (Ebbinghaus 2006: 175f.). Educational expansion gradually improves the situation, and indeed an individual's occupational status is no longer such a decisive factor for exit (Hofäcker 2010). We therefore argue that the explanatory power of such changes as the main driver of early exit has been weakened.

The Varieties of Capitalism (Hall and Soskice 2001) approach offers an alternative explanation for cross-national variations in early exit regimes based on different types of production regimes, skill formation, and employment relations (see Ebbinghaus 2006 for an overview). The VOC approach juxtaposes two ideal type market economy models. On the one hand, *liberal market economies* (LMEs) are characterised by mass production, requiring only on-the-job training, and a flexible labour market

with little employment protection. Due to short-termism in financial and corporate governance, companies are forced to react to downturns by downsizing. On the other hand, in *coordinated market economies* (CMEs), production is based on quality products, requiring specific skills acquired in vocational training, regulated employment protection, and cooperative relations between employers and employees (Hall and Soskice 2001). Although such rules seem to promote employment security, they also create pressure on companies to reduce older workers with seniority wages, and early retirement then seems a socially acceptable way out (Ebbinghaus 2006). A comparison of labour market indicators (Table 5.3) illustrates these institutional and economic factors providing a more or less strong push into early retirement. The OECD *index of employment protection legislation* (EPL) provides a summary measure of overall labour market regulation with little change between 1998 and 2012. While the liberal market economies show a very low regulation index (below 2.00) followed by Hungary, Denmark, and Sweden, the other Continental countries have more far-reaching labour market regulations in place, particularly Italy and Germany. Thus individual and collective dismissal of workers with long tenure is particularly difficult unless favourable pre-retirement arrangements allow (voluntary) early exit from work.

An incentive to use early retirement as a labour shedding strategy is particularly given in CMEs, when employment tenure and seniority wages of older workers are widespread. Table 5.3 provides a measure of the incidence of long-term tenure (10 years and longer) with the same employer among dependent male workers aged 55–59, thus measured before the age group 60–64 (see Table 5.3). Moreover, we provide the average tenure duration for this subgroup (male workers aged 55–59 with 10 years and more) to give an indication how long they have worked with the same employer without any interruption. For both indicators, we again contrast the situation in the mid-1990s with that of 2012. Long-term employment relations are particularly common in CMEs (France, Italy, Germany, and the Netherlands), which display a very high percentage (above 70 per cent) of long-term male employees with an average tenure above 25 years. Given the shorter history of a free market economy and the particular transition problems, this share is significantly smaller (55–65 per cent) in CEE countries, though average tenure is slightly lower. In contrast, the LME and Nordic countries, in particular Britain and Denmark, exhibit rather a lower percentage of long-term tenure, while Ireland and Sweden display a somewhat higher incidence. With the exception of Denmark that experienced a further decline to 56 per cent, not much had changed by 2012.

Table 5.3 Overview of selected economic push factors, Europe (1995/98–2012)

		EPL-Index		Tenure 10+ yr (% overall)		Av. tenure 10+ (in yrs)		Long-term (1+ yr) (% unemployed)	
Age group:		All		55–59		55–59		55+	55+
Year		1998	2012	1995	2012	1995	2012	1995	2012
A	France	2.64	2.67	75.9	77.7	25.7	28.3	62.5	62.0
	Italy	3.15	3.15	79.7	77.9	25.9	27.5	56.5	59.5
B	Czech Republic	2.97	2.70	63.1	63.6	27.7	22.2	38.6	47.1
	Hungary	2.40	2.40	59.1	55.5	24.1	23.4	57.1	56.1
C	Germany	2.95	3.09	73.5	73.5	26.0	25.5	58.8	63.0
	Netherlands	2.88	2.87	76.6	74.5	25.3	25.2	65.4	56.0
D	Denmark	2.56	2.39	67.0	55.6	24.0	24.6	49.9	45.3
	Sweden	2.64	2.58	70.5	65.2	23.5	25.7	52.8	34.5
E	Ireland	1.81	2.00	72.0	67.1	27.2	24.4	79.3	79.2
	UK	1.56	1.68	55.5	54.8	21.8	22.6	64.8	49.4

Notes: EPL Index (Version 2) is combining measures of job protection for workers with regular contracts and those with temporary work as well as regulations for collective dismissal.

Source: OECD database stats.oecd.org (Employment Protection, Labour Force Statistics).

Finally, long-term unemployment (one year and more) among older men (aged 55+) provides a further indication of labour market rigidity and problem load (see Table 5.3). While in flexible labour markets, the re-employment chances of older workers should be higher and long-term unemployment should be less common, redundant workers will find it much harder to re-enter the labour market in CMEs given the internal labour market of firms. Indeed, figures on long-term unemployment show that among the Continental countries, all but the Czech Republic had high percentages (above 50 per cent) in the mid-1990s and still today. In the CME countries, older workers thus occupy a safe ‘insider’ position in internal labour markets with high employment protection and long tenure. Yet, once they become unemployed, they have small chances of finding a job and can thus be considered to be factually on early retirement. In contrast, the LME (more Britain than Ireland) and Nordic countries (more Denmark than Sweden) approximate a more flexible labour market model with less employment protection, less internal labour markets, and less outsider traps for older workers, except for downward economic periods. In turn, long-term unemployment is

much less frequent among older male workers in these countries. The transition countries fall in between these two regimes, with a less tenured workforce and the use of other institutional means than unemployment insurance to shed older workers in order to accommodate to declining demand during the transition.

While there is some explanatory power of institutional push factors regarding the emergence and development of early exit until the 1990s, their value in accounting for the recent reversal is more limited. In some cases, such as Denmark and Sweden, recent declines in older workers' exit rates indeed were accompanied by a move toward labour market flexibility. Overall economic push factors show relative stability over time. As rather long-lasting institutions, they apparently only contribute little to the explanation of the recent, sometimes remarkable increase in older workers' employment. We will therefore need to turn to further institutional factors that illustrate the effect of welfare retrenchment and the ability to reintegrate and retain older workers in employment.

5 Has welfare retrenchment been able to reverse early retirement?

Given the entrenched pathways to early exit from work arising from its high popularity, reversing this course has been a major societal challenge in all European welfare states (see Ebbinghaus 2006). Several governments have attempted to reverse the early exit trend by scaling down existing pull incentives, particularly through raising the statutory age of retirement and restricting if not abolishing previously attractive early pathways. Surprisingly, such efforts were discussed much earlier in the Anglophone countries in which internationally rather low early exit levels prevailed, while the generous welfare states of Continental Europe that suffered from high levels of early exit took action much later. The European countries differ in their statutory retirement age; thus in some pension systems normal retirement was granted before 65 for all (or for women only). Yet, several pension reforms (see Figure 5.2) have been increasing the statutory retirement age gradually over the last two decades (OECD 2011).

The first plan to increase statutory retirement age dates back to the US social security reform of 1983, though it was a long-term phasing-in plan. European governments have been slower in introducing such changes, although cost and demographic pressures are more pressing. The United Kingdom decided early on to phase out the Job Release Scheme by 1989, and paid tribute to EU equality rules by phasing in the retirement age for

women from 60 to 65 by 2020. Recent and planned reforms will speed up this process and increase the retirement age for all British pensioners to 68 before 2050. A major reform of the disability pension also occurred during New Labour, though incapacity benefits remain a pathway to early exit. Ireland had lowered the retirement age to 65 for contributory pensions, but means-tested pensions only start at age 66, while an increase to 68 by 2028 has been proposed. The disability pension provides the main early exit pathway after abolishing pre-retirement for long-term unemployed in 2007.

Following the unemployment crisis of the early 1990s, Sweden abolished the pension at age 60 for long-term unemployed in 1991, and the gradual partial pensions have been phased out. A major reform of the two-tier pension system was decided in 1994, replacing the universal basic pension by means-tested supplements and transforming the earnings-related pension into an notional defined contribution (NDC) system plus a partially funded individual pension, while flexible pensions are available only with actuarial reductions. Since the peak of high unemployment in the mid-1990s, Danish labour market policy has shifted from passive to active measures. Although the statutory pension age was lowered from 67 to 65 by the 1999 reform (but will increase again as of 2024), there were increased incentives for those who deferred retirement, not least due to increased importance of funded occupational pensions.

The Continental European countries also turned away from passive labour market policies, the Netherlands and Germany though more than others. When the Netherlands suffered from the 'Dutch disease' that was epitomised by a million people on disability pensions, a sequence of reforms sought to limit the disability pathway in the late 1980s and early 1990s (Aarts, Burkhauser, and de Jong 1996). The social partners were also turning away from negotiating generous early exit options, particularly after a tripartite agreement in 1997. The first major reform in Germany was passed when the Berlin wall came down; since 1992 it has phased out most of the early retirement pathways (early pensions for women, senior workers, and unemployed). Further steps were taken in 1996 by the Conservative-Liberal government, but these were repealed again by the subsequent Red-Green government, which later nevertheless introduced voluntary pensions and public pension cuts in 2001 and 2003 (Ebbinghaus 2011). In 2007, the grand coalition decided to increase the pension age from 65 to 67 by 2029. The Dutch government decided to increase public pensions from 65 to 67 years by 2023. Thus, both the Netherlands and Germany experienced major turnarounds from passive

to active policies; indeed both countries met the EU 2010 target of a 50 per cent employment rate for older workers (aged 55–64) on time.

Starting in the 1990s, a policy shift also occurred in Southern and Eastern Europe, though so far with less success. Not only the financial sustainability problem of widespread early retirement in ageing societies, but also the Maastricht criteria of the EU monetary union for France and Italy as well as the accession perspective and IMF conditions for the CEE countries added urgency. After major political conflicts, the Italian government and trade unions agreed in 1995 to phase in an increase of retirement ages, long-term gender equalisation, and convergence between public and private sector pensions. Further steps were taken by subsequent governments in order to speed up or slow down the process. In France, increasing the pension age has remained politically impossible until recently, but the necessary contribution period has been extended for the private sector (1993), while the Conservative government raised the age by two years for both seniority and normal pensions, though watered down by the new Socialist government that came to power in 2012.

Both CEE countries increased the formal retirement age in the late 1990s. The Czech Republic raises male and female pension ages to 63 by 2016 and 2019 respectively, though there remain child credits for women. Hungary increased the pension age to 62 for men by 2000 and for women by 2009, thus equalising the five-year difference, while an increase to 65 years is also planned for 2022. Both countries will eventually reach a retirement age of 65, though this will be achieved faster in Hungary than in the Czech Republic (see Figure 5.2).

Compared to the peak early exit period, there has been some remarkable path departure but also slower and path-dependent changes. The reversal of early exit policies has been most pronounced in two traditional early exit countries: Germany and the Netherlands. This happened through phasing out unemployment, pre-retirement, and disability pensions and focusing on the activation of older workers. The Swedish reforms of the 1990s also reversed the short wave of early exit, while Denmark was later and less severe in its reforms. The liberal welfare states further increased their retirement ages while maintaining few opportunities for early exit. Although Italy has been more reform-prone in increasing its early statutory retirement age, France has been more hesitant in its reversal policies which remained highly politically contentious. The reforms to increase retirement ages in CEE countries proceed also rather slowly, with the Czech Republic remaining behind Hungary.

6 Can retention strategies lead to a reversal in early exit patterns?

In addition to reducing early exit incentives and existing barriers to re-employment, societies can also actively foster older workers' labour force participation through targeted, state-funded programmes. By means of *active labour market policies* (see Chapter 6), welfare states may support job search through a wide range of activities, ranging from direct job creation to targeted counselling. In addition, through institutionalised opportunities for *lifelong learning*, public policies (together with companies and social partners) may enhance individual qualifications and thus improve older workers' employability. In contrast to pull and push factors, such 'retention' policies – that is policies that have been implemented for the explicit purpose of reversing early exit – are a rather new phenomenon whose importance has only risen under the more recent paradigmatic turn towards 'active ageing' (Jepsen, Foden, and Hutsebaut 2002). In other words, they do not just represent a 'scaling back' of previous pull or push factors, but a unique set of programmes. Adding to previous literature, we thus treat them as a separate analytical category of our explanation of the more recent early exit reversal.

Table 5.4 contrasts average expenditure on active (ALMP) and passive labour market policies (PLMP, both relative to GDP) for the heydays of early exit from 1985 to 1999 and the more recent decade of the 2000s.

Table 5.4 Overview of selected institutional retention factors (1985–2011)

		ALMP expenditure (% GDP)		PLMP expenditure (% GDP)		Training in last four weeks, 55–64 years	
		1985–99	2000–11	1985–99	2000–11	1992–99	2000–13
A	France	0.95	1.01	0.52	1.46	0.2	1.7
	Italy	–	0.49	0.93	0.87	0.7	1.8
B	Czech Republic	0.16	0.24	0.18	0.27	–	2.8
	Hungary	0.48	0.41	1.10	0.46	0.3	0.4
C	Germany	1.04	1.01	1.82	1.72	0.8	2.4
	Netherlands	1.32	1.29	2.77	1.73	4.7	7.7
D	Denmark	1.41	1.77	4.09	2.03	6.0	19.2
	Sweden	2.25	1.19	1.61	1.02	14.6	14.4
E	Ireland	1.12	0.69	2.55	1.24	–	3.2
	UK	0.39	0.37	0.88	0.23	5.7	14.2

Notes: ALMP active/PLMP passive labour market policies.

Source: for expenditure: OECD 2014 (social expenditure), training: Eurostat (2014b).

This resource indicator only provides an indication of the overall mix in labour market policies; we use these indicators for lack of more specific ones comparing ALMP measures for older workers. In addition, we analyse participation rates of older workers (aged 55–64) in continued training within the last four weeks as indicator of *lifelong learning*, that is whether older workers have updated skills for a peak period (1992–1999), and the more recent reversal (2000–2011 or 2000–2013).

Scandinavian countries display high levels of engagement in both areas: especially Sweden stands out as the only country in which ALMP exceeds PLMP expenditure. While Denmark deviated with PLMP exceeding ALMP expenditure more than three times in the 1990s due to generous pre-retirement pay during the 1980s recessions, a turnaround happened with Danish activation policies in the mid-1990s, and ALMP and PLMP converged. Both countries also show a strong public engagement in promoting lifelong learning, which together with the activation policies helped to reduce exit rates during recent years. A relatively low exit rate also exists in liberal welfare states despite relatively low labour market policy expenditure, but because of a flexible labour market that poses little re-entry barriers and higher on-the-job-training rates, partly due to high job turnover. Compared to Britain, Irish labour market reintegration and lifelong learning policies for older workers have been less developed.

In contrast, both *Eastern* and *Latin* European countries have continued to follow rather residual labour market policies with low expenditure for both ALMP and PLMP. Moreover, participation in lifelong learning is low and has only marginally improved. These countries continue to rely on ‘front-loaded’ education systems that train workers in the early parts of their careers but provide little skill renewal thereafter (Dieckhoff, Jungblut, and O’Connell 2007). The lack of active employment and continued training policies provides major obstacles in retaining older workers longer in employment. The *continental* countries, Germany and the Netherlands, stand out given their recent reversal in early exit. Since the 1990s, the *Netherlands* has reduced passive policies for older workers, reflected in a more balanced ratio between ALMP and PLMP (see Table 5.4). In addition to cutting back on early retirement options, more emphasis has been placed on extending lifelong learning also to older workers. In *Germany*, however, trends in active policies appear to be more cautious, thus other factors (such as reforms in pension incentives) may have been more decisive in promoting the recent reversal than retention factors. Overall, there appears to be some (though not perfect) correspondence between the extent and development in

retention policies and the level of early exit and its reversal. Countries with active labour market policies or lifelong learning are more likely to have been able to lower early exit.

7 Changing institutional contexts and the reversal of early exit

Comparing early retirement across Europe, we found that institutional variations matter for explaining both the peak level of early exit from work for men (aged 60–64) and its current reversal. We were able to identify a ranking of early exit patterns across the ten European countries. Both liberal market economies and Scandinavian universal welfare states can be regarded as late exit regimes with traditionally fewer pathways to early retirement and low levels except during recessions. In contrast, the Latin and Eastern countries considered here showed strong and persistent early exit trends that are facilitated by strong pull and push factors. While the above clusters are largely stable over time and broadly reflect previous classifications (Ebbinghaus 2006; Blossfeld et al. 2006), Germany and the Netherlands are a notable exception; they show path departure over the last two decades (Ebbinghaus and Hofäcker 2013) despite earlier claims of a ‘frozen landscape’ among these labour shedding countries (Esping-Andersen 1996). These recent path departures imply that we need to reconsider our established typologies of welfare state regimes and Varieties of Capitalism for explaining exit from work patterns in the future.

Our comparative analysis shows that early exit trends and their reversal should be understood as a combined account of complementary institutional effects. Push and pull factors have played a more central role in establishing and maintaining the early retirement trend. In early exit countries, generous pull-incentives were often implemented or utilised by employers, unions, and governments to mediate pressures through different types of economic push, either due to structural economic changes or rigid labour markets. These measures often became institutionalised in national regulations as well as actors’ expectations (Hofäcker and Unt 2013) or retirement age norms (Radl 2012). Reversing early retirement does not only require welfare retrenchment by scaling back or abolishing pull factors, but it also depends on active ageing policies that maintain older workers’ employment at the workplace, thus calling upon employers’ *corporate social responsibility* (see Chapter 8). Together with welfare reforms, these retention policies have been vital in overcoming entrenched early exit routines during the last two decades.

The post-2008 financial and economic crisis has made the future of successful reversal of early exit a more contingent but also a more pressing policy issue. It may be too early to judge whether the recent crisis will again lead to a new wave of early retirement among older workers due to higher unemployment or whether the fiscal need for further welfare state recalibration will be intensified due to the current sovereign debt crisis. In any case, future policies to further reduce early exit from work would be well advised not to rely solely on singular strategies, such as a scaling back of pension incentives. As long as structural labour market rigidities or inadequate qualifications do not allow older workers to remain in employment, these welfare retrenchment measures may be largely ineffective and only shift income and labour market risks to older individuals. Instead, public policies by governments in cooperation with social partners will have to develop integrated strategies at the national and workplace level aimed at both reducing early exit incentives and simultaneously enhancing older workers employability in order to arrive at a sustainable and socially acceptable solution to the still persistent problem of early retirement in ageing societies.

6

A Precarious Future: An Irish Example of Flex-Insecurity

Mary P. Murphy and Camille Loftus

1 Introduction

This introduction locates the chapter in a broad political economy framework. The chapter aims to contribute to a deeper understanding of how meso level social security and labour market policy work to shape the negotiation of capitalism in the contemporary workplace. We examine how institutional reconfiguration of income support, labour law, and activation policy promotes or constrains labour market precarity. This builds on the analysis of Chapter 5, which dealt with the factors promoting or preventing participation in the labour market at the end of the working life in an era of new welfare politics. The focus is on changing production regimes, work organisation, and everyday lives and on how institutional reconfigurations of welfare architecture promote or constrain precarity.

While sometimes micro in nature, our discussion relates to macro accounts of the political economy and meso accounts of the social structuring of labour markets. We focus on how issues concerning the organisation of the production process shape those meso and macro accounts. While, ideally, cohesive systems link and interlock these levels of political economy, labour market, and workplace, recent changes in social security and labour market regimes delink institutional levels and create new challenges and barriers to accessing decent work. Irish changes are used to evidence and illustrate this argument and highlight some of the current dilemmas of the contemporary workplace. In particular we show that the boundary of the firm has become less protective than previously. Rather than work providing security (as in the Danish flexicurity), since the Great Recession the Irish labour market is increasingly characterised by 'flex-insecurity', a condition that exacerbates other contemporary

dilemmas such as work-family conflicts examined by McGinnity and Russell in this volume.

This paper uses the Irish crisis as a case study to illustrate how government policy (intentionally or unintentionally) has both enabled labour market precarity but also reduced social protection and made precarious workers more vulnerable. Following this introduction, we discuss the key European concept of flexicurity arguing we are now seeing a shift towards flex-insecurity. Section three introduces patterns of low pay and underemployment in the Irish labour market. Section four reviews the weakening of employment protection legislation and infrastructure and weak implementation of EU directives intended to protect vulnerable workers. Section five reviews the relationship between part-time work and precarity and illustrates this with a case study of precarity in the Irish retail industry. Section six examines how Irish social protection is less adequate to its role of protecting vulnerable workers or enabling part-time or precarious work. Section seven addresses activation and increased conditionality in the Irish labour market. The conclusion outlines three steps to avoid the precarity trap and address the wider politics of such reform in the context of EU policy.

2 From flexicurity to flex-insecurity

Chapter 4 introduced a typology of different labour regimes and compares the EU15 countries, here we discuss Irish flexicurity in the European context, later we provide some comparative data to show the relative scale of the Irish case. While argued by some to be a hybrid, Ireland is usually located as a liberal market and welfare regime and hence we need to be careful about generalising our results (Ebbinghaus and Manow 2001). Brodtkin and Marston (2013) argue national policy systems have always struggled to balance work and welfare, welfare states have responded in different ways to economic insecurity while at the same time trying to maximise market functioning and economic growth. While US workfare policy tended to stress the regulatory function while also compensating for loss of income and enabling labour market participation, European policy stressed enabling participation, then compensating for loss of income before regulatory functions. European activation policy as promoted through the European Employment Strategy was originally premised on the post-war Swedish Rudolf Meidner's vision of full employment and equality through flexible and mobile labour markets and social cohesion. This Dutch or Danish model of flexicurity, offered people security but enabled people

to be flexible in adapting to ongoing and inevitable labour market change and stressed job mobility.

Put simply, flexicurity (derived from the two words: flexibility and security) is a policy based on a set of common principles which aim, in the context of fast changing global economies, to enable rapid economic adaptation. The policy which originated in Denmark and the Netherlands in the early 1990s, works to enhance the flexibility of labour markets by ensuring unemployed workers and other socially excluded groups can make flexible transitions between work and unemployment. Decent jobs are crucial to this model of activation. Three principles inform the policy and institutional arrangements that comprise flexicurity arrangements. These are periods of unemployment cushioned by (1) generous welfare schemes, (2) workers while unemployed are obliged to remain work active by participating in active labour market programmes that upskill people to (3) return to employment in a changed labour market. In Ireland flexicurity informed social partnership analysis (NESC 2005), as well as the analysis of the state training agency FÁS and the Irish Congress of Trade Unions who all argued for an Irish model of 'flexicurity' based on a Nordic or Danish vision of social economic recovery but 'modified' for Irish conditions. NESC argues for protecting workers rather than specific jobs, freedom for enterprises to restructure, high levels of unemployment benefit during job search, active labour market policies and childcare, public transport, and housing to promote mobility and flexibility. Forfás (2011) placed heavy emphasis on upskilling, reskilling, and work experience.

Viebrock and Clasen (2009) and Clegg et al. (2014) show the ongoing European relevance of flexicurity, others argue European policy is largely working away from the original vision of flexicurity. Leschke (2011: 162) stresses the stronger focus on employment growth and less focus on qualitative aims like job quality and social cohesion. In both narrow and broad meanings labour activation often implies making established welfare rights more conditional on job seeking efforts (Clasen and Clegg 2006: 527). Baldwin and Larsen (2013) note the erosion of the security side of the flexicurity bargain; even Denmark has reduced unemployment benefit (UB), increased conditionality and seen a subtle shift from human capital building to a more regulatory approach and a work first approach, they note this shift is promoted through governance and management arrangements in different national and institutional contexts.

The reality is not the European dream of 'flexicurity'¹ but deregulation at the margin of the labour market (Bettio et al. 2012), where employees

with atypical contracts carry the burden of adjustment to economic shocks (Viebrock and Clasen 2009: 311). Recession or economic and fiscal crisis has occasioned international intensification of restructuring of many labour markets towards more precarious employment and reduced the quality of employment in most developed economies (Gibb 2009). Standing (2011) forecasts an apocalyptic global future that divides the vulnerable precariat from the comfortable and secure salariat of permanent employees. While Taylor-Gooby (2012) disputes such apocalyptic forecasts for western European labour markets, European labour markets are increasingly dual labour markets with high degrees of polarisation between secure and insecure workers (O'Farrell 2014). Dean (2012) finds half of all new UK jobs are now part-time and many low-paid and/or part-time jobs are only sustainable for the worker if wages are topped up by social welfare or in-work tax credits. Lewis (2011) argues a dual labour market is a structural and permanent feature of the European labour market. All of this comes with increased social, economic, and psychological consequences, increased fear, a growth in work related stress, and a weakening of collective bargaining power. What we have is a state of flex-insecurity where one third of Europe's poor have jobs (Messkoub 2012).

3 The Irish labour market

We argue a combined pincer movement means insecurity in the Irish labour market occurs at the same time as a strengthening of obligations to enter the labour market and a diminution of social security for those on the edge of the labour market.

Ireland has been following a pattern of polarisation, with employment and wage increases for those at the top, a hollowing out of middle paying jobs, and employment increases for those at the bottom (O'Farrell 2014; Hurley, Fernández-Macías and Storrie 2013; Daly 2010). In particular, O'Farrell (2013b) points to a pre-crisis decline in the average working hours of Irish sales and service workers. Full-time employment has steadily declined, from 70 per cent working 35 hours or more in 2001, to just 60 per cent in 2011 and average hours worked have also declined. The share of part-time work in private sector employment rose from 15 per cent to 23 per cent, and hours worked dropped from 33 per week in 2008 to 31.6 per week in 2011 (Bergin, Kelly, and McGuinness 2012). In 2000, just over one in six people employed in Ireland worked part-time.² The share of part-time employment began to rise from 2007, with a faster pace

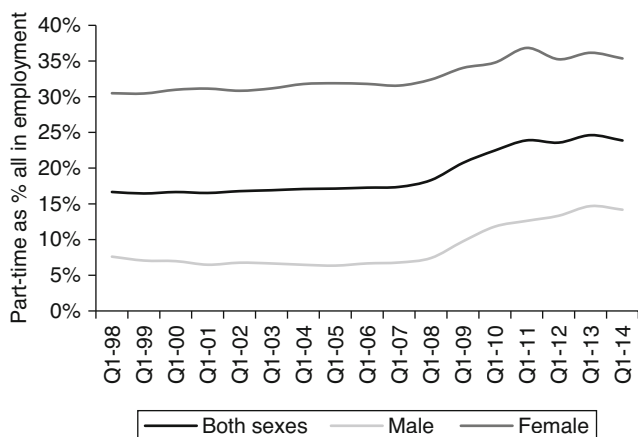


Figure 6.1 Growth in part-time employment

Source: Quarterly National Household Survey – QNQ37: Persons aged 15 years and over in Employment by Sex, ILO Economic Status and Quarter, Q1 2014.

of increase since the economic crisis hit in late 2008. The proportion of men working part-time more than doubled from its pre-crisis level of 6.6 per cent in Q4 2006, to 14.2 per cent by Q1 2014, while the proportion of women working part-time has increased from an already high level of 31.1 per cent to 35.4 per cent over the same period. By the first quarter of 2014, close to a quarter (23.9 per cent) of all those employed, or over 450,000 employees, worked part-time but the trend appears to have plateaued.

O'Farrell (2014) argues that underemployment is a major long-term issue for Irish workers. By Q1 2014, there were 141,700 underemployed part-time workers, accounting for almost a third (31.4 per cent) of all part-time workers – a 49 per cent increase from Q3 2008. The QNHS Q1 2014 recorded 145,200 men and 305,500 women working part-time. Of the men, 81,500 were not underemployed, leaving 63,700 (43.9 per cent) involuntary part-time workers, a 102 per cent increase since Q3 2008. Of the women, however, 227,500 describe themselves as voluntary part-time, leaving 78,000 (25.5 per cent) as involuntary part-time or underemployed, a 22 per cent increase since the onset of the economic crisis. Older men (reflecting pre-retirement and involuntary underemployment) and younger women (reflecting care responsibilities) are more likely to be working part-time (Joint Oireachtas Committee on Jobs, Social Protection and Education (JOCJSPE) 2012b).

Table 6.1 Persons aged 15 years and over classified ILO economic status, quarter 1 2014

Economic Status	'000s	
In labour force	2,146.3	
In employment	1,888.2	
– in employment full-time	1,437.5	
– in employment part-time	450.7	
– part-time: not underemployed	309.0	69% of part-time employed
– part-time: underemployed	141.7	31% of part-time employed

Source: Quarterly National Household Survey – QNQ37: Persons aged 15 years and over in employment by sex, ILO Economic Status and Quarter, Q1 2014.

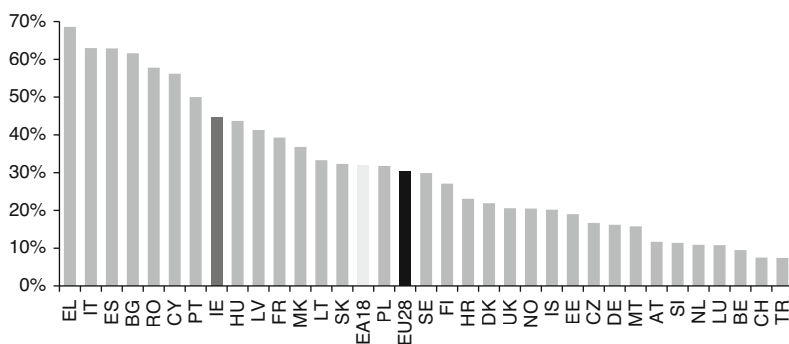


Figure 6.2 Involuntary part-time as percentage of all part-time employment, age 20–64, 2013

Source: Eurostat – Involuntary part-time employment as percentage of the total part-time employment, by sex and age (%) [lfsa_Eppgai].

How does this compare internationally? Table 6.3 in the appendix (using different data sources) shows part time employment as a percentage of full time employment across the EU. The Irish percentage 22.7 per cent can be compared to the EU 28 average 18.9 per cent and Eurozone average of 21.1 per cent, the Danish comparator is 20.9 per cent while the UK is 24.1 per cent. Table 6.4 in the appendix shows Irish involuntary part-time employment as percentage of the total part-time employment. At 44 per cent Ireland is very high relative to the EU 28 average 30 per cent and Eurozone average of 31.3 per cent, and it compares badly to the Danish rate of 21.9 per cent and the UK's 20.6 per cent. As Figure 6.2 suggests Irish underemployment is more extreme than comparators or competitors.

A total of 430,042 couples (54 per cent) are both earning and 373,482 (46 per cent) have one earner (Mahon 2012), this means there is no specific pattern of work for Irish women, a breadwinner/housewife contract co-exists with an adult-worker contract and there remains a very high proportion of women 'not in the labour force'. The recession has increased the number of men in at-home father roles and doubled the number of men in part-time employment but it is not clear whether this will translate into long-term change in work care roles. Lewis, Campbell, and Heurta (2008) conclude that Ireland is clustered in a group of countries with a one and a half pattern of balance between care and work and where part-time work is particularly important for women. This is similar to the Netherlands but part-time work there is 'long hours' and in Ireland we see more 'short hours' in domestic and care work that is of poorer quality and more precarious. Irish women thus face a dual trap; they are still trapped by domesticity and may be increasingly trapped by precarity.

Despite such a gendered labour market, the pattern in decline in working hours is a largely consistent for men and women; the occupational sector has greater explanatory power in explaining the decline in working hours, with low paid occupations more likely to experience such decline, particularly sales and services. O'Farrell (2014) attributes the decline in hours to the abundance of low skilled labour and the lower search costs for low skilled workers. From 1992 to 2008 labour intensive sectors such as health and social work, and the wholesale and retail trade had shown declines of over five hours, the decline was particularly marked in hotel and catering. These patterns were well established prior to recession and if anything declined during recession. Our question here is whether recession related changes in labour legislation, social security, and activation policies will impact on the structure of low paid, short time jobs in Ireland and in the risk factors for those low paid workers?

Of particular relevance here is the relationship between shorter working hours, low pay, and risk of poverty. As evidenced below, O'Farrell (2014: 11) makes a strong argument that low pay rates are associated with low working hours. It is not surprising therefore that the in-work poverty rate for part-time workers is more than twice that for full-time workers. In 2012, 5.9 per cent of people at work were at-risk-of-poverty, a fall from 6.5 per cent in 2011. Almost a third (32.3 per cent) of people at work experienced deprivation³ in 2012, almost unchanged from the 2011 level of 32.1 per cent. Consistent poverty – describing those who are both at-risk-of-poverty and experiencing deprivation – among people at

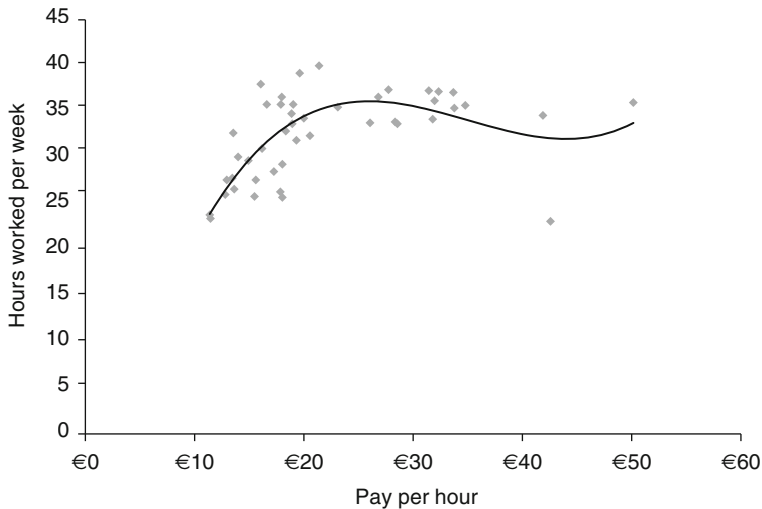


Figure 6.3 Low pay rates are associated with low working hours

Source: O'Farrell (2013b: 11).

work decreased marginally to 1.9 per cent in 2012 from 2.1 per cent in 2011, a decrease driven by the fall in the relative poverty rate.

While these numbers are low in absolute terms it is still the case that one in every seven individuals at-risk-of-poverty was at work, and one in ten of those in consistent poverty was at work (CSO 2014). The risk is associated with both shorter term working hours and lower pay and the numbers of working poor is likely to be much higher were it not for the fact that many of these workers are female secondary earners.

The Joint Oireachtas Committee on Jobs, Social Protection and Education (2012b: 12) discusses the need to grow atypical work in Ireland, arguing that part-time workers do not remain on social welfare for long periods. However rather than being a route out of poverty, part-time precarious employment often works against the possibility of securing full-time employment resulting instead in churning between welfare and work (Brodtkin and Marston 2013). Dobbins (2010) argues those in non-standard forms of employment find it difficult to bridge the transition to standard employment. Employers often use such contracts as ongoing (rather than temporary) means of achieving flexibility and reducing labour costs, and this becomes a subsidy trap for government. The Irish transition to full-time employment (18 per cent) is lower than the EU average of 20 per cent (European

Commission 2012). Working less than a full year is associated with an almost double rate of poverty risk (15 per cent for the EU25) compared with working a full year (8 per cent). Working part-time (12 per cent) also nearly doubles the risk compared with full-time work (7 per cent). Having a temporary employment contract (13 per cent) increases the poverty risk almost three times compared with having a permanent contract (5 per cent). Irish low pay is particularly associated with temporary work agencies (Eurofound 2010: 9). The flexibility required by one employer can also militate against the possibility of securing employment from a second employer (Loftus 2012).

4 Weakening of employment protection legislation and infrastructure

This section refers to a core pincer movement that weakens protection legislation and makes workers more vulnerable to precarious employment. Even before recession Ireland met all the criteria of a flexible employment regime. On the latest 2013 OECD 'strictness of employment protection legislation index', only seven countries are more flexible than Ireland; and among EU member states, only the UK is more flexible. Of the three individual measures Ireland ranks as the seventh most flexible country for regular contracts, eighth in relation to temporary workers, and twenty-seventh on the index for collective dismissals (OECD.Stat 2014). The Great Recession occasioned a significant restructuring of industrial relations machinery, in part prompted by the need to modernise and in part caused by legal challenges by employers. While still in flux, the Industrial Relations (Amendment) Act, 2012 introduced a new industrial relations machinery and work place relations infrastructure which brings together the existing services and makes the Labour Court the single appeal body for all workplace relations appeals (Lynch 2014). There are serious concerns that compliance and enforcement mechanisms are being downgraded in the context of a short-sighted compromise that prioritises job creation over job quality and compliance. The more precarious sectors have low compliance with existing labour law legislation with a compliance rate of just 21 per cent in Catering, 27 per cent in Hotels, and 28 per cent in Retail in 2009, with 46 per cent overall compliance in the first nine months of 2010 (Dobbins 2012). The inappropriately named 'zero-hours' contract of employment, or Organisation of Working Time Act 1997⁴ facilitates precarious work by enabling employee contracts requiring the employee to be available for work but without specified hours of work. Managers in the service

sector use these contracts to engage a 'pool of workers' to choose from in order to boost their bargaining position when trying to get workers to work flexible hours (O'Farrell 2014: 12). However it is worth noting the decline in working hours began before the Act (O'Farrell 2013b). While the UK inquiry by Resolution Foundation conservatively revealed up to half a million UK workers on such contracts (Pennycock, Cory, and Alakeson 2013), no data are available on the number of workers employed on 'zero-hours' contracts in Ireland (Lynch 2014). Austerity is associated with increasing use of such contracts in the health and care areas in both private and state sectors, with 150,000 UK domiciliary care workers on such contracts (Inman 2013). In Ireland the statutory Health Service Executive managed reduced budgets by employing home helps on such contracts.⁵

Recent changes to minimum wage legislation included expansion of rarely utilised 'inability to pay' clauses into sectoral minimum wages. The Coalition Against Low Pay has argued against introduction of derogations or an inability to pay clauses to previously negotiated sectoral rates. An inability to pay clause in contracting industries based on competitive tendering could remove the 'level playing pitch' and disadvantage 'good' firms, allowing poorer firms to compete by cutting wages, in a 'race-to-the-bottom'.

Finally there is also weak implementation of EU directives intended to protect vulnerable workers. The Irish government's approach has been minimalist in relation to various directives; the first approach has often been to delay or mitigate implementation. The working time directive is currently under litigation in the European Courts, government tried but failed to insert a derogation in the 2011 EU Directive on Temporary Agency Work. Implementation of the 2012 Maternity Directive was also minimalist.

5 Relationship between part-time work and precarity: the Irish retail sector

The working assumption in Irish labour market policy is that any job is better than none, and that a job acts as a stepping-stone to a better job (Pathways to Work 2011). However as discussed above precarious jobs often trap people into precarious working patterns (Dobbins 2010). As elsewhere, Irish part-time employment is constructed to suit Irish employers rather than Irish workers, and is often a source of difficult and long-term working conditions for workers. Russell and McGinnity (2011) found distinct gendered atypical working patterns with specific

sectors dominated by women vulnerable to atypical work patterns. Part-time employment often facilitates women's entry into employment, but also means downward occupational mobility. Non-standard employment, such as zero hours contracts, are prevalent in gendered sectors like home helps and retail; short-term contracts of less than six months are often utilised in seasonal work (tourism, hotel, agriculture, food processing, etc.). For men the construction and security sectors also utilise non-standard forms of employment such 'C45' or forced self-employment. Workers in atypical forms of employment (especially those on short-term contracts) tend to receive less training and career development opportunities and experience more health and safety problems.

Loftus' (2012) analysis of a Mandate commissioned Behaviour & Attitude survey of Mandate members in the retail sector shows women spend very long durations in atypical employment and that precarity has intensified over the recession. Her research finds a prevalence of part-time working, a high degree of working time flexibility and strong (unmet) desire to work longer hours. Such workers also find it more difficult to get the additional income needed to protect themselves from poverty by, for example, accessing social protection or by securing additional employment. The survey of Mandate members revealed the high level of flexibility demanded of retail workers, with less than a third of part-time workers having stable working hours, while for 45 per cent, their working hours change at least once a month; anecdotally, many such workers report that their working hours change on a weekly basis. Over a fifth of survey respondents said that they would like more certainty from their employers about their working hours, with uncertainty about which days of the week they were required to work being a greater source of dissatisfaction. It should also be noted that very few of these workers receive shift allowances or other bonuses for providing such high levels of flexibility. Turner and O'Sullivan (2013: 213) note 'for many workers covered by the JLC rates, overtime rates, Sunday premiums, shift allowances and bonuses appear to be a chimera'.

The Mandate survey found that over the previous year, one-third of workers had seen changes in the level of their working hours. For a third of these, reduced hours made it harder for them to access social protection supports, and for two-fifths, it was more difficult to secure additional work elsewhere. The number of days worked in a week had been changed for three in ten workers, and for 35 per cent of these changes to work schedules made it harder for them to claim income supports, while 43 per cent reported that the changes made it more difficult for them to find an additional job.

The survey revealed a strong, and unmet, demand for longer working hours. The proportion of employees working up to 21 hours a week had increased from 42 per cent to 52 per cent over the course of the previous year; however, less than a quarter of survey respondents actually wanted to be working such low hours. In contrast, the share of respondents working 28 hours or more per week dropped from 31 per cent to 21 per cent over the last year. Most strikingly, almost six in ten respondents (57 per cent) said they wanted to work 28+ hours per week. The survey findings also indicated that student workers were more likely to be successful in securing additional hours than long-standing employees. While more than half of part-time employees had requested additional hours from their employer, less than half of these actually secured more hours. In contrast, while 43 per cent of student workers asked for longer hours, two-thirds were granted additional working hours.

The recession has had very significant impacts on the take home pay of these precarious workers, with two-fifths reporting a fall in take home pay over the previous year. The scale of the fall was very significant for some: a fifth reported a reduction of more than €110 per week, while a further fifth reported a drop in weekly net income in the €60–110 range. Tax increases have played a role here, for example, on a €375 wage, taxes were 2.6 times higher in 2012 than 2008. However the most important factor is the reduction in working hours. Prior to the cuts in working hours reported in the Mandate survey, CSO data shows that weekly working hours for employees in this sector fell by 6.8 per cent in the initial phase of recession, while hourly pay fell by 1.5 per cent. These impacts combined resulted in an 8.5 per cent reduction in weekly pay.

6 Irish social protection and vulnerable workers

A second pincer movement occurs around Irish social protection. The relationship between atypical work and social protection is problematic, complex, and ambiguous. Reductions in working hours may perversely mean a reduction in social protection support; workers may also be impeded from seeking additional hours that might result in a possible loss of income support. There has been a sharp rise in the proportion of part-time and casual workers on the Live Register (LR, the Irish job seekers claimant count),⁶ increasing from 12 per cent in May 2008 to 20 per cent in May 2014. In a reversal of pre-crisis trends, men in this category now outnumber women numerically (41,310 to 35,452) but proportionally more unemployed women (24 per cent) participate in casual employment than men (17 per cent). Female work patterns are

more seasonal, the number of female casual/part-time workers on the LR falls over the summer months.

The large numbers of precarious workers on the live register suggests some level of social protection for such workers however 55,000 involuntary part-time workers are not covered by any social welfare payment (JOCJSPE 2012b). They may be excluded from protection due to specific entry barriers such as failing to pass a household means test, an involuntary unemployment test, a minimum number of days unemployed (four in any consecutive seven days) access rule for job seeker payments, or a 19.5 hours worked requirement to access a part-time job supplement or Family Income Supplement. A key question for us is whether such workers' access to social protection has been tightened. To answer this we review recent policy changes that may have made it more difficult to access part-time paid work and maintain access to social protection as a key source of income security.

Budget 2012 commenced a phased reduction in the earned income disregard for lone parents, so that by 2016, only €60 of weekly earnings will be disregarded.⁷ The reforms are unlikely to achieve a re-orientation of lone parents towards full-time work (due to the high cost of childcare), and are more likely to mean lone parents will work part time but with less social protection (or not work at all). These changes were accompanied by a number of cuts which severed access to a range of other social security payments by banning simultaneous eligibility to more than one core payment.

The second series of reforms or cuts relate to social protection for atypical workers, which had the cumulative effect of excluding more low-paid, and precarious workers from social protection (JOCJSPE 2012b). These changes, outlined in Table 6.2 below, distort the capacity of the social protection system to support precarious and atypical work and have greater consequences for women. Taking just one example, a change in how unemployment is calculated shifted from being unemployed for three in six days to four in seven days (Sundays included). This means that workers who previously qualified because their Sunday working was exempted from the eligibility calculation now find they are ineligible.

A third policy direction is more evidenced by a lack of reform than by specific changes. Despite a glaring need to address issues of in-work benefits for families with children and low income workers in private rental accommodation there has been a lacuna of policy momentum in these areas. The cumulative result of these policy trends (reductions in lone parent disregards, less social protection for atypical workers and reluctance to enhance in work benefits) is an increased shift towards an insider/outsider dual labour market and social protection system.

Table 6.2 Irish budget changes to job seekers payments and atypical rules (2009–2014)

	Condition	Was	Now	
Qualifying: no. of social insurance contributions	No. paid since first started working	52	104	
	No. contributions in relevant tax year	Paid or credited	Min 13 paid	Budget '09
Duration: no. contributions paid	260 or more	15 months	9 months	Budget '09
	Less than 260	12 months	6 months	Budget '13
Entitlement to a full payment: SW rate is determined by average earnings criteria in relevant calculation year, as these increase access to payment reduces.	Rate of payment	Earnings band		
	45%	<€80	<€150	
	65%	€80 & <€125	€150 & <€220	
	78%	€125 & <€150	€220 & <€300	Budget '09
	100%	€150 +	€300 +	
Casual & part-time workers	Unemployment week	6 days	5 days	
	Sunday working	Not included	Assessed	Budget '12

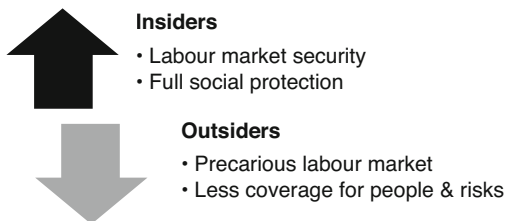


Figure 6.4 Insiders and outsiders

7 Work conditionality, activation, and decent work

There is a conflict between reducing the number of working poor and increasing the number of people in low paid and part-time work. Brodtkin et al. (2013) show how badly designed ‘work- first’ activation can lead to a precarity trap where workers, particularly women, are caught in vicious cycles – being churned from welfare to precarious work and back again. The Irish government committed to developing an activation strategy in Pathways to Work (DSP 2013),⁸ implementation of which was a core part of Ireland’s structural adjustment in the Troika Memorandum of Understanding.

These strategies include an enhanced use of sanctions. The Social Welfare Act, 2010 provides that a payment can be reduced if a person: refuses an appropriate offer of training, declines an intervention, does not attend meetings, or drops out of the activation process. In July 2013, the DSP penalty rate of 21 days of disqualification from receiving jobseeker payments was extended for up to nine weeks, which means the jobseeker adult payment of €188 can be reduced by €44 to €144 and then stopped completely for nine weeks. The numbers experiencing sanctions has increased from 1,455 in 2012 to 2,403 between January and October 2013 (IMF 2013). While this is a significant increase it nonetheless represents less than 1 per cent of claimants leading the IMF to conclude that more sanctions could be applied and more effective steps be taken to maximise jobseekers' engagement. Further sanctions have since been developed in the context of the youth guarantee (DSP 2014). Young people are already on lower jobseeker payments and the €100 rate for young people can be reduced by €25 to €75 while the €144 rate can be reduced by €33 to €111. Under the Job Guarantee young people up to age 25 are required to apply for or accept an opportunity on the national internship scheme (JobBridge) and register their CV on recommended jobs websites. These are additional requirements to adult recipients and may well be legally disproportionate.

In 2012 conditionality and work availability applying to recipients of Jobseeker payments was extended to lone parents. However various implementation barriers soon become evident and after extensive lobbying, in May 2013 the DSP announced 'transitional' arrangements where lone parents with children aged between 7 and 14 are only partially required to engage in activation programmes and may work on more than four days in seven while remaining eligible for a means-tested payment, however the income disregard cuts remain in place. Plans to introduce conditionality for other welfare groups like qualified adults (dependant partners or spouses of Jobseekers) or people with disabilities have also slowed. Activation policy may have the unintended consequence of embedding and guaranteeing workers for part-time but precarious, low-paid and low quality employment. Avoiding a negative relationship between increased activation, decreased social protection, and increased prevalence of atypical work requires active monitoring and tracking, safeguards from over-zealous application and employment protection legislation to limit negative and perilous forms of atypical work.

8 Conclusion

The chapter examined the interface between changes in labour law, social security, and activation policies with a view to understanding how they interact and impact on vulnerable workers and contemporary structuring of the work place and production processes. We particularly problematised where insecurity in the labour market occurs at the same time as a tightening of obligations to enter the labour market and a diminution of social security outside the labour market. While our research is limited to one sector (retail) and one country (Ireland) arguably the findings are consistent with Mear's (2007) findings about the care sector in Australia, recent UK research about eldercare regimes (Glendinning 2012; Dean 2012) and recent German (Dorre 2013) and Danish changes (Fersch 2013). This suggests there are common factors at play across Varieties of Capitalisms with soft convergence towards harsher regimes (Brodkin 2013). We argue the boundary between the firm and the social protection system has shifted, both offer less protection to vulnerable workers than previously. We have explored how welfare is shaped by, and shapes employment and how new institutional architecture develops new employment forms and thus enabled better understanding of the negotiation of capitalism in the workplace. We have demonstrated how employment regimes link to institutional variation in social welfare and employment legislation and create degrees of precarity, part-time work and casualisation.

However is not clear what is driving these micro changes in social security, labour law, labour market activation, and conditionality policies. Do they do reflect an integrated approach from policy makers seeking to respond to employers, firms, and industries needs to compete amidst this changing labour market? Are the changes in production processes an unintended consequence of a series of unrelated and standalone micro policy decisions? Are they purely ideological? While such answers are beyond the scope of this chapter and our research, it is crucial to understand where the pressures for flex insecurity come from, where its mediation occurs and the degree of agency involved. In the Irish case we evidenced both push and pull.

If, as we have argued, changes in employment regimes link to institutional variation in social welfare and employment legislation then shifts in such policies have the capacity to change the nature of employment regimes for better and for worse. Tackling the precarity trap means concerted and coordinated effort at three levels. Reconsidering regulatory flexibility and eliminating financial incentives for employers to

create precarious jobs can mitigate the flexibility trap. The low income trap for workers can be addressed through recognising and accommodating the reality of precarious work while working to progress workers towards better work, by developing more flexible in-work benefits, and by addressing the issue of sanctions by building in safeguards to ensure activation into decent work (ILO 2010). The low skilled trap can be addressed through retraining and upskilling focused on the needs of precarious workers. Most of all however the focus needs to be on decent jobs. The issue is also one of great consequence for the European Social Model; a shift towards the type of flex-insecurity implied in this paper is an invitation for social dumping across EU Member States. Wages and conditions for the lower paid are largely determined by institutional factors, legislative rights, and collective bargains (O'Farrell 2014). A comprehensive framework at the EU level is needed to regulate working time and places boundaries around use of work zero hours contracts. A clearer EU legal definition of the right to collective bargaining would also strengthen capacity to develop a welfare architecture consistent with quality employment regimes that offer decent work, part time and full time.

Appendix

Table 6.3 Part-time employment as percentage of the total employment (%) [lfsa_Eppga]

	Country	2006	2007	2008	2009	2010	2011	2012	2013
EU28	European Union (28 countries)	16.8	16.8	16.8	17.4	17.9	18.2	18.6	18.9
EA18	Euro area (18 countries)	18.2	18.3	18.4	19.0	19.5	19.9	20.5	21.1
BE	Belgium	21.8	21.7	22.2	23.0	23.4	24.4	24.5	24.1
BG	Bulgaria	1.7	1.5	2.0	2.1	2.1	2.1	2.2	2.5
CZ	Czech Republic	4.4	4.3	4.2	4.7	5.1	4.6	4.9	5.7
DK	Denmark	18.9	19.5	19.8	21.3	21.6	21.1	20.9	20.9
DE	Germany	25.5	25.6	25.2	25.5	25.6	25.8	25.7	26.2
EE	Estonia	6.6	6.9	6.2	9.2	9.6	9.1	9.0	8.7
IE	Ireland	15.4	16.1	16.9	20.0	21.3	22.3	22.6	22.7
EL	Greece	5.3	5.2	5.2	5.6	6.0	6.5	7.5	8.2
ES	Spain	11.5	11.3	11.5	12.4	12.9	13.5	14.5	15.8
FR	France	16.9	17.0	16.6	17.1	17.5	17.6	17.6	18.0
HR	Croatia	6.9	6.5	6.8	6.9	7.5	7.4	6.2	6.2
IT	Italy	13.0	13.4	14.0	14.0	14.7	15.2	16.7	17.6
CY	Cyprus	6.5	6.2	6.5	7.3	8.1	8.7	9.4	11.7
LV	Latvia	5.4	5.1	5.6	7.9	9.2	8.7	8.8	7.4

Continued

Table 6.3 Continued

	Country	2006	2007	2008	2009	2010	2011	2012	2013
LT	Lithuania	9.4	8.5	6.4	7.8	7.7	8.3	8.8	8.2
LU	Luxembourg	17.1	17.8	18.0	17.5	17.4	17.9	18.3	18.5
HU	Hungary	3.7	3.8	4.2	5.2	5.4	6.4	6.6	6.3
MT	Malta	9.0	9.7	10.3	10.0	10.8	11.5	12.3	13.3
NL	Netherlands	42.6	43.1	43.5	44.4	45.2	45.5	46.2	47.0
AT	Austria	21.9	22.2	23.0	24.3	24.8	24.8	25.4	26.2
PL	Poland	8.4	8.0	7.4	7.3	7.3	7.0	6.9	6.9
PT	Portugal	8.0	8.7	8.5	8.2	8.3	9.9	10.8	10.7
RO	Romania	8.2	8.2	8.2	8.2	9.4	9.0	8.8	8.5
SI	Slovenia	7.1	7.0	7.2	8.6	9.2	8.6	8.5	8.5
SK	Slovakia	2.6	2.4	2.5	3.4	3.7	3.9	3.9	4.5
FI	Finland	12.0	11.9	11.2	11.9	12.5	12.7	12.7	12.5
SE	Sweden	23.3	23.2	24.3	24.6	24.5	23.9	23.8	23.4

Table 6.4 Involuntary part-time employment as percentage of the total part-time employment 20–64 (%) [lfsa_Eppgai]

	Country	2006	2007	2008	2009	2010	2011	2012	2013
EU28	European Union (28 countries)	23.3	23.1	25.9	25.9	27.4	26.7	28.3	30.3
EA18	Euro area (18 countries)	25.1	25.0	25.7	26.9	28.2	27.8	29.6	31.9
BE	Belgium	15.0	14.8	14.4	11.8	11.4	10.3	9.5	9.5
BG	Bulgaria	68.1	62.1	51.4	52.6	54.4	57.3	66.4	61.6
CZ	Czech Republic	18.0	14.8	14.2	14.8	16.0	18.7	20.0	16.7
DK	Denmark	18.4	15.9	15.3	17.0	18.7	19.5	21.1	21.9
DE	Germany	23.5	23.0	23.4	22.4	22.3	17.3	16.9	16.2
EE	Estonia	21.9	16.6	14.0	23.8	22.8	22.7	21.3	19.0
IE	Ireland	12.7	11.9	13.8	24.3	33.5	38.8	42.4	44.5
EL	Greece	46.9	45.9	44.4	50.9	55.0	60.8	65.7	68.6
ES	Spain	33.4	32.8	35.9	43.9	50.0	55.9	61.5	62.9
FR	France	30.9	31.6	32.0	30.7	31.6	30.7	31.3	39.3
HR	Croatia	24.6	21.2	20.9	20.9	22.2	22.6	20.3	23.1
IT	Italy	37.9	39.5	41.4	46.5	50.4	54.5	58.7	63.0
CY	Cyprus	38.4	31.2	31.1	34.3	35.4	49.7	53.5	56.2
LV	Latvia	42.0	28.5	32.8	49.4	42.7	42.6	44.1	41.3
LT	Lithuania	36.2	28.0	22.6	31.7	39.4	37.6	33.2	33.3
LU	Luxembourg	9.8	5.2	9.1	9.0	7.9	10.0	14.0	10.8
HU	Hungary	25.8	27.8	27.6	31.9	35.2	39.4	41.1	43.7
MT	Malta	20.6	14.6	14.8	14.0	18.3	14.8	15.7	15.8
NL	Netherlands	6.8	5.6	5.0	7.0	6.3	8.0	10.1	10.9
AT	Austria	11.7	12.1	11.1	11.0	11.4	10.2	10.1	11.7
PL	Poland	31.7	25.0	19.3	20.1	22.7	25.5	28.3	31.8

Continued

Table 6.4 Continued

	Country	2006	2007	2008	2009	2010	2011	2012	2013
PT	Portugal	34.9	39.1	41.1	38.4	43.2	46.2	48.3	50.0
RO	Romania	55.6	52.5	50.6	50.9	54.2	53.3	55.3	57.8
SI	Slovenia	7.0	6.6	7.6	7.6	8.4	8.8	9.1	11.4
SK	Slovakia	17.3	13.7	22.3	22.0	27.3	24.2	31.8	32.3
FI	Finland	32.8	27.6	30.2	30.3	29.6	30.7	27.5	27.1
SE	Sweden	24.9	25.8	26.2	27.5	28.2	27.9	28.9	29.9
UK	United Kingdom	9.5	10.6	:	14.9	16.4	18.9	19.6	20.6
IS	Iceland	7.5	6.4	9.7	19.4	24.7	27.5	24.9	20.2
NO	Norway	19.8	18.8	17.8	17.3	18.8	20.3	18.3	20.5
CH	Switzerland	7.3	6.2	5.9	6.8	7.2	7.3	7.6	7.5
MK	FYR Macedonia	48.1	50.0	39.8	45.9	49.4	42.4	41.6	36.8
TR	Turkey	9.6	7.8	8.1	9.1	8.9	7.6	7.3	7.4

Source: Eurostat.

Notes

1. Improving the pay and quality of such work is the core principle behind flexibility, described as four policy domains: flexible and reliable employment protection arrangements; comprehensive lifelong learning strategies; effective active labour market policies; and modern social security systems (European Commission, 2007). The key feature of Dutch flexibility is the combination of atypical, flexible types of work with social security rights that are similar to those for people in part-time or short-term temporary contracts.
2. Quarterly National Household Survey – QNQ37: Persons aged 15 years and over in Employment by Sex, ILO Economic Status and Quarter, Q1 2014
3. Experienced two or more types of enforced deprivation.
4. The Organisation of Working Time Act, 1997 Section 18 requires that an employee under a zero-hours contract who works less than 25 per cent of their stated contractual hours in any week should be compensated. If the employee gets no work, then the compensation should be either 25 per cent of the possible available hours or 15 hours, whichever is less. If the employee gets some work, they should be compensated to bring them up to 25 per cent of the possible available hours.
5. A 2013 Labour Court decision (HSE v SIPTU/IMAPCT CD 12/527 Home Helps) also granted an 80 per cent of hours previously worked over a defined six month period (subject to a seven hour minimum contract) to home helps employed by the Irish Health Service Executive. Over 2010–2014 Mandate trade union has had some success in mitigating use of such contracts in large multiple retailers. This ruling points towards some success in mitigating the impact of zero hours practice.
6. CSO StatBank – LRM10 Casual & Part-time Workers on the Live Register (Number) by Month & Sex
7. The weekly earned income disregard for OFP recipients was reduced from €146 to €130 in 2012 and to €110 in 2013, and will be further reduced to €90 in

2014, to €75 in 2015, and to €60 in 2016. Half of earnings above the disregard are assessed against social assistance entitlements; where earnings are greater than €425 per week, lone parents are not entitled to the OFP.

8. Intreo is a framework for merging delivery of income supports and employment services, while SOLAS merges further education and training provision into a new agency.

7

Institutionalisation of Trade Union Activity: Four Indexes and Their Ability to Explain Cross-National Differences in Strike Rate

Luis Ortiz and Clara Riba

1 Introduction

The decreasing importance of manufacturing in many OECD countries, the parallel consolidation of services as the leading generator of employment and wealth, the successive economic crises that these economies have gone through since the 1970s, the competition in increasingly globalised product markets and the rise of atypical employment are some of the reasons why there has been much talk about trade union decline over the last three decades. In more recent times, though, there seems to have been a revival in the interest for collective action and trade unionism (Frege and Kelly 2003 and 2004).

Collective bargaining and trade unionism are likely to remain concepts inextricably linked to the conflict between labour and capital, no matter how weakened traditional trade unionism appears to have become in recent decades. Industrial relations' institutions are the channels of this conflict (Korpi and Shalev 1979). In this paper we explore how the institutionalisation of trade union activity at the national level is structured along different dimensions. Some of these dimensions have often been researched in the past but, to our knowledge, no systematic effort to disentangle them through quantitative research methods has been made so far.

After applying exploratory and confirmatory factor analysis to data drawn from the CESifo database on 'Unions, Wage Bargaining and Labour Relations', we propose four different indexes of institutionalisation of trade union activity. By means of cluster analysis, we then

assess the extent to which these four indexes allow a credible grouping of countries. Finally, we include the four indexes in a time-series cross-sectional analysis of national strike rates. Besides the four indexes, the dataset includes data on a number of factors potentially affecting industrial conflict at the national level. The dataset covers 34 countries over a period from 1986 to 2007. We find robust evidence of a negative effect of unions' involvement in policy making over the level of industrial conflict; the other three dimensions of trade union activity do not turn out to have a statistically significant effect on national strike rates.

In the last section of the chapter we discuss possible, hypothetical reasons why other dimensions of trade union institutionalisation may not have the systematically depressing effect over strike rate that we initially expected. First, it may be that institutions are not just ways of channelling conflict (thus preventing that it becomes open) but also resources at hand of social actors (in this case, trade unions) in order to mobilise their supporters and affiliates *precisely for waging open conflict*. These two forces would eventually cancel each other. Moreover, it may happen that the role of institutions as resources and opportunities for open conflict are more relevant at the workplace level than at higher levels within the realm of industrial relations, since open conflict may have fewer adverse consequences for the trade union as a whole. This would explain that corporatism indeed has the expected depressing effect over strike rate, whereas other dimensions of institutionalisation of trade union activity have not.

2 Institutionalisation and conflict

Institutions have often been regarded as 'structures of cooperation' or collective action resolution (Shepsle and Weingast 1981; Moe 2005: 215). This view implicitly regards actors as equal in the amount of power they share within institutions.¹ Contrary to this 'contractarian perspective' (Korpi 2001), the 'power perspective' regards institutions as both representations of a given balance of power between opposing actors and ways of channelling the conflict between them. According to Jack Knight, an institution is 'not best explained as a Pareto-superior response to collective goals or benefits, but, rather, as a by-product of conflicts over distributional gains' (Knight 1992: 19). In the same vein, Walter Korpi sees institutions as 'structurations of power and residues of conflict'. (2001: 243).

According to Korpi's power-resource theory, social actors have three major types of resources available: (a) violence, (b) economic resources,

and (c) labour power or human capital. What moves actors to establish institutions is the belief that waging open conflict entails a cost in terms of these resources: costs derived from mobilising power, costs of maintaining 'the liquidity of power resources' (that is, keeping resources in a state of readiness for use), and costs of ultimately using them to reward or punish. In sum, 'conflicts tend to consume resources faster and to a greater extent than do bargaining and contracting' (Korpi 2001: 246). A prudent management of resources thus entails not resorting too easily to open conflict. The best way of doing so is by institution-building.

What does explain open conflict then? Conflict breaks out when actors believe that institutions curtail their chances of attaining higher goals. This may happen because institutions do not distribute costs and benefits equally; on the contrary, such distribution depends precisely on the balance of power in the hands of actors who negotiate within their framework, and on the power the institutions endow them with (Mahoney 2000). For British employers' during the 1970s, for instance, it was not altogether obvious that institutionalising industrial relations, as the Donovan Report recommended them to do for overcoming a period of great industrial unrest, was something more promising than waging open conflict and reducing the power of trade unions once and for all (Hyman 1995). A similar reason may have lain behind Italian or French employers' traditional reluctance to involve trade unions in collective bargaining (Cebolla and Ortiz 2014).

Cebolla and Ortiz partly applied this 'power perspective of institutions' for explaining cross-national differences in union members' propensity for extra-representational types of political activity (2014). By considering both institutionalisation of trade union activity and access of left-wing parties to executive power, they came up with four models of trade unionism in Europe (Nordic, Central-European, Anglo-Saxon, and Southern-European). These models turned out to be effective in explaining cross-national differences in trade union members' preference for non-standard political participation, vis-à-vis non-union members. In countries where trade union activity was barely institutionalised and where left-wing parties had few opportunities for accessing executive power, union members were found to be more inclined towards extra-representational types of political participation than the rest of the population.

The interest in national typologies has been around for quite a while within Industrial Relations. It possibly stems from the importance attached by Crouch to 'national state traditions' in order to understand industrial relations (Crouch 1993). Valuable though it is as a first

approach, typology-building is susceptible to a number of criticisms. In the first instance, looking at the variables that lie behind the types is always analytically better: 'whenever identification of particular social systems contributes to explanation, one must ask what it is about these systems that influence the phenomenon being explained' (Przeworski and Teune 1970: 48).

Besides this epistemological reason, a number of criticisms against typologies have been raised specifically in the field of industrial relations. Firstly, industrial relations often vary across sectors as much as they do across countries (Bechter, Brandl, and Meardi 2012). Secondly, the salience of national industrial relations is becoming increasingly questioned by globalisation, which supposedly forces convergence of national models, although the degree of convergence is a matter of endless debate.² Moreover, globalisation, and the implicit convergence it would bring about, may be especially strong in the case of the European Union. It may also be the case that convergence is uneven across sectors, eroding cross-national differences in some sectors but not producing much convergence in others, which would in turn result in further intra-national diversity.

Bechter et al. make a good summary of these criticisms and advocate for 'large-scale qualitative studies that include a sufficiently high number of countries and dimensions', and criticise the large-scale quantitative studies made so far on the basis that these studies focus on a narrow number of 'dimensions of unionism' (Bechter et al. 2012). Here we acknowledge this latter criticism by considering a wide range of variables in a quantitative analysis aimed at measuring eventually different dimensions of cross-national difference in the institutionalisation of trade union activity. In the next section, we theorise what these dimensions could be. We then present the data to test their existence, and the methods to generate them and assess their validity.

3 Institutionalisation of trade union activity

Following North (1990), we regard institutions as a set of rules that limit or condition the behaviour of social actors. Therefore, institutionalisation is to be regarded here as 'a process whereby social activities become regularized and routinized as stable reference points around which actors build legitimate and sanctionable expectations' (Avdagic, Rhodes, and Visser 2011: 61)

There are several domains where the activities of trade unions could become more or less institutionalised: (1) the negotiation of employment

or social policies at the national level; (2) the process of collective bargaining, mostly dealing with wages and employment; and (3) the negotiation of bread-and-butter issues at the company or workplace level. These domains are roughly hierarchical; they define different *levels* at which trade unions can be involved in the management and regulation of employment relations. The institutionalisation of trade union activity at such levels can obviously diverge across countries.

- (1) Roughly speaking, trade union participation in the negotiation of employment or social policies fits the concept of corporatism (Lehmbruch 1984). Such bargaining may happen either through tri- or bi-partite institutions where trade union confederations regularly meet with employer associations and/or the State, or through eventual pacts or agreements between social agents (employers, unions, and/or the State). Tri- or bi-partite institutions form part of what has been labelled as corporatism, understood as a 'system of interest representation' (Schmitter 1979; Siaroff 1999), and not as an 'institutionalized pattern of policy-formation' (Lehmbruch 1979; Siaroff 1999).

It is arguable whether social pacts and participation in tri-partite or bi-partite institutions are part of a single dimension or two separate dimensions. On the one hand, it is reasonable to think that, if frequently repeated, social pacts may lead to the creation of bi- or tri-partite councils. Social pacts could then be considered as a lower level of institutionalisation of trade union activity, relative to bi-/tri-partite councils. On the other hand, social pacts have also been presented as having their own process of institutionalisation (Avdagic et al. 2011: 61–86). In their outstanding work on social pacts, Avdagic et al. define them as 'specific forms of macro-cooperation (...) between representatives of government and organized interests who negotiate and coordinate policies across a number of formally independent, but actually related and interconnected policy areas (...) and levels (national, sectoral, regional, local)' (2005: 6). In fact, social pacts could be an *alternative* to negotiating in bi- or tri-partite councils. According to this interpretation, we should observe two distinct dimensions of institutionalised union activity at the national level – one concerning social pacts and the other relative to the existence of corporatist systems of representation.

Avdagic et al. explicitly explore the mechanisms and degrees of institutionalisation of social pacts. Following on from these authors, we consider the possibility that institutionalisation of trade union participation in social pacts depends on the number of issues dealt

with in these bargaining process, the level at which social pacts take place (national, regional, local), the regularity and frequency of these meetings, and the actors' commitment to enforce their outcome (Avdagic, Rhodes, and Visser 2005, 2011). To these elements, we may add the number of actors involved. Trade union activity may be regarded as more institutionalised if all the relevant actors (State, employers, and trade unions) are involved: the higher the number of actors participating in them, the more likely an eventual agreement will be enforced. If either employers or the State are not involved, it is not so likely that the agreements will be successfully enforced.

- (2) The next domain where trade union activity could be more or less institutionalised is collective bargaining. Certainly, this dimension may overlap with the former. Some of the pacts struck at the national level between employers associations and trade union confederations may include issues that lie within the normal scope of collective bargaining, such as wages or working time. Yet, as observed by Avdagic et al., pacts tend to be more 'regulative' than 'distributive' in nature; they tend to focus more on regulation of employment or welfare issues. Accordingly the aspects to consider for the institutionalisation of collective bargaining are not just the level of centralisation or coordination, but also the existence of clauses extending the result of the agreements beyond the limits of the members of the signatory associations. Thus, the more centralised and coordinated collective bargaining is, the more institutionalised we can regard trade union activity in this particular realm. We consider that higher coordination makes collective bargaining more institutionalised as well. Finally, trade union activity may be regarded as more highly institutionalised if, everything else being equal, there are legal clauses that allow the extension of collective agreements to workers who are not trade union members.
- (3) Finally, the activity of trade unions at the workplace or company level can also be more or less institutionalised. Bread-and-butter issues constitute the daily basis of conflict between workers and management. The bargaining over these issues may be more or less channelled by institutions that, at the same time, represent the balance of power within the company or the workplace. The factors to bear in mind here for assessing the level of institutionalisation of trade union activity are the existence of formal organs of representation of trade union activity at the workplace level and the functions

(information, consultation, or co-determination) these organs are invested with.

Next, we will introduce the data and methods to assess the empirical support for the existence of these dimensions of the institutionalisation of trade union activity. Then, we will check the validity of the corresponding indexes, firstly, by using cluster analysis to assess the extent to which they lead to a reasonable grouping of countries; then, by including these indexes in a multivariate analysis that explores cross-national differences in strike rate.

4 Data and methods

The Database for Institutional Comparisons in Europe (DICE) made by the CESifo Group (Munich) includes a subset of yearly national data on 'Unions, Wage Bargaining and Labour Relations'.³ The database includes most aspects of trade union activity that we have considered above for a number of countries and years large enough to allow a quantitative exploration of different dimensions of the institutionalisation of trade union activity (see Annex, for a list of variables in the database).

Some of the variables in the CESifo database were modified by us before the analysis. For instance, the CESifo database includes a variable for each possible issue treated in any social pact; 13 in total. An additive index ('Agenda') was generated from all these variables, capturing the proportion of these 13 possible issues treated in each social pact. The index thus captures the richness of the agenda of each social pact. We also generated a new variable ('Agents') which synthesises the information on the number of actors involved in each pact. A third variable generated by us ('Intensity') takes different values depending on the existence of 'just' an agreement or a formal pact. The difference between a mere agreement and a pact was understood to be the result of the level of commitment of the actors to what they had finally agreed. The variable was created using the information from three variables in the dataset: a variable that indicates that a social pact is signed, a second one that indicates the existence of policy commitments in the pact, and a third one that indicates the signature of an agreement.

In addition to the generation of these new variables, some adjustments were needed to take into account some peculiarities of the data. Most of the variables capture reasonably well the value of each institutional feature for a given country and year, for example the existence of works councils. There are others, though, that report the mere

signature of a pact or agreement whose time of application may be longer than one year. For instance, one of the variables in the CESifo database reports if 'a social pact is (publicly) being proposed by the government, the unions or the employers (...) in this specific year'. In the case of Ireland, this variable takes the value 1 every three years, confirming that social pacts were signed for three-year long periods over a long time (Avdagic et al. 2011: 64). If we want this variable to reflect the existence of a pact, we should turn 0 into 1 for the inter-signatory years. Yet, it would be wrong to recode systematically all the noughts into ones, since it might be that, at some point along the period of study, the social pacts were abandoned in Ireland. In that case, the noughts would not correspond to inter-signatory years, but just to the abandonment of this practice.

This problem was solved by smoothing the data, a technique aimed at registering long-term trends and avoiding short-term fluctuations in time-series data. A common way of smoothing time series is 'running averages': that is, taking the average value of a given variable for increasing but overlapping time periods (Hartwing and Dearing 1979: 36–39). We smoothed the data by taking the average value of the variables considered in three consecutive years, beginning two years before the current one. This was the smoothing method applied for numerical variables, such as *agenda* for example. In the case of dummy variables in the CESifo database, the smoothing method consisted of taking the maximum value of the three years considered. Thus, the value of the variable mentioned above for Ireland in 1986 would be its maximum value for the period 1984–1986; the value of the variable for 1987 would be the maximum value of the same variable for the period 1985–1987; and so on. The smoothed variable in this case will take value 1 for all the years of duration of the signed pact. Smoothing the data does not distort the information in more time-constant variables, but it corrects the irregular behaviour of variables such as the one mentioned above.

After these corrections to CESifo data from 1986 to 2007,⁴ we applied factor analysis to a dataset covering 34 countries, including most of Europe, plus Australia, New Zealand, Canada, the United States, and Japan (see the whole list of variables in the annex). Factor analysis is a statistical procedure aimed at uncovering the latent variables that account for the correlation among a set of observed ones. In our case, such latent variables would capture different dimensions of the institutionalisation of trade union activity. Exploratory factor analysis (EFA) allows the exploration of any possible underlying structure in a set

of correlated variables without imposing any preconceived structure (Hartwig and Dearing 1979). On the other hand, confirmatory factor analysis (CFA), assumes the existence of such a preconceived structure, which is theory driven, and tests it (Long 1983).

We first applied EFA to the three groups of variables in the CESifo database that could each be a set of good indicators of one of the three latent dimensions of institutionalisation of trade union activity theorised above. We used principal axis factoring as the method of extraction and the standard criteria of retaining only the factors with eigenvalues equal to or bigger than one. After this series of exploratory factor analyses, we ran a global exploratory factor analysis for the whole dataset. As we will see below, exploratory factor analysis yielded four indexes of institutionalisation of trade union activity, instead of three. Taking as a point of departure these results, but modifying them with our theoretical expectations, we applied CFA for testing the measurement models for these four indexes.

The validity of the resulting indexes was then tested by means of cluster and multivariate analysis. Cluster analysis was expected to reveal to what extent the four indexes allowed a grouping of countries that approximated reasonably well to the models of unionism that the literature has considered insofar. Secondly, we introduced the four indexes of institutionalisation of trade union activity in a multivariate analysis of national strike rates.

According to our theoretical argument above, high levels of institutionalisation of trade union activity should be positively correlated to low levels of industrial conflict. There is no clearer expression of conflict in industrial relations than strikes. Therefore, the second test of validity consisted in introducing the indexes of institutionalisation of trade union activity in a time-series cross-sectional analysis aimed at explaining cross-national variance in the number of days lost per year per 1,000 workers (national strike rate). We drew most of the data on national strike rates from the same database used for the factor analysis ('Unions, Wage Bargaining and Labour Relations', CESifo database). Some gaps in this variable were filled with data on the same indicator drawn from the statistical database of ILO (ILOSTAT).

Our dataset also included information on a number of control variables that have been found relevant for explaining cross-national differences in labour conflict in a study by Brandl and Traxler (2010: 535): (a) inflation rate; (b) the relative power of trade unions; (c) the participation of leftist parties in government; (d) the economic openness of

the country; (e) the existence of a 'peace obligation' constraining trade unions' capacity to resort to industrial action; (f) the yearly percentage change of GDP; (g) the unemployment rate; and (h) the employment share of strike-prone sectors (see annex, for a detailed description of variables and sources).

In most cases, we were able to resort to the same sources used by Brandl and Traxler for gathering these aggregate-level data. Unfortunately, however, not all the data in Brandl and Traxler's work could be replicated. For instance, we could not get access to employers' density as much they were able to. For this reason, we were not able to capture the *relative* power of trade unions, but the *absolute* one derived from trade union density.

In order to control for unobserved heterogeneity (omitted variable bias) at the country level, and in order to correct also for likely autocorrelation between observations belonging to the same country across years, we applied time-series cross-sectional analysis with panel-corrected standard errors (TSCS). TSCS analysis suits our data better than fixed-effects, because, unlike standard panels with a large number of observations for a limited number of times, our dataset has a limited number of observations (countries) for a relatively large number of times (years).⁵ Moreover, our observations are not a sample of a given population, but the population itself. Following Brandl and Traxler (2010), we took the logarithm of the national strike rate as our dependent variable (instead of the national strike rate as such) to account for the strong skewness of the distribution of national strike rate. We also introduced a lag of our dependent variable because 'a high record of past conflicts fosters future conflicts' (Brandl and Traxler 2010: 528). There is inertia in the national level of industrial conflict that this lag may capture.

Our model runs as follows:

$$\text{LogY}_{it} = \beta_0 + \text{LogY}_{it-1} + \beta_1 \text{IND_1}_{it} + \beta_2 \text{IND_2}_{it} + \beta_3 \text{IND_3}_{it} + \beta_4 \text{IND_4}_{it} + \beta_5 X_{it} + \alpha_i + u_{it}$$

Where *i* stands for countries and *j* stands for years; LogY_{it} is the logarithm of the national strike rate, LogY_{it-1} is the value of this variable in the previous year, IND_1 to IND_4 are the values of the different indexes of institutionalisation of trade union activity for country *i* in time *j*, X_{it} is a vector including all the control variables mentioned above (peace clause, yearly percentage change of GDP, etc).

5 Results

5.1 Factor analysis

The result of exploratory factor analysis (EFA) was mixed: whereas the models corresponding to trade union activity at the workplace and collective bargaining were satisfactory (only one latent dimension was extracted from the analysis) the model corresponding to the negotiation of employment and welfare policies yielded two factors, instead of one. After this preliminary EFA, we ran a global EFA using the three groups of variables together, retaining four factors. The loadings after an oblique rotation ordered by size are displayed in Table 7.1.

Factor 1 is clearly related to trade union activity at the workplace level: works councils' structure and rights and works councils' involvement in wage bargaining. Factor 2 is clearly related to the existence of social pacts: their intensity, the actors involved in them, and the agenda. Unfortunately, factors 3 and 4 do not have as straightforward an explanation as the previous ones. Factor 3 seems associated with collective bargaining (coordination and centralisation) and factor 4, with the existence of tri-partite and bi-partite councils where trade unions participate. But some variables do not behave as expected. For instance, the 'involvement of unions in policy making' was expected to have bigger loadings on factor 4 than 3. Conversely, we expected 'involvement of unions in

Table 7.1 Result of EFA: pattern matrix

	Factor 1	Factor 2	Factor 3	Factor 4
Structure of works council (A35)	0.826			0.251
Work councils in firms with 50 or more staff (A34)	0.800	-0.104	-0.263	0.158
Rights of works council (A36)	0.780	-0.128	-0.273	0.163
Extension of collective agreements (A4)	0.529	0.125		
Involvement of works council in negotiation of wages (A37)	0.504			-0.233
Intensity (social pact or agreement)		0.929		-0.114
A social pact is proposed and negotiated (A6)		0.871		
Agents (number of actors involved in the pact)		0.858		
Agenda (proportion of 13 possible issues treated)		0.752	-0.242	
Coordination of wage bargaining (A1)		0.105	-0.826	
Centralisation of wage bargaining (A3)		0.213	-0.765	
Joint (employers / unions) bodies for negotiation (A38)	0.399	-0.118	-0.624	0.145
Involvement of unions in policy-making (A33)			-0.521	0.495
Institutionalised bipartite council (A32)	0.166		-0.187	0.355
Institutionalised tripartite council (A31)	0.188	0.323		0.350
Involvement of unions in minimum wage setting (A5)		0.326	-0.332	0.345

Note: In order to facilitate the interpretation only factor loadings bigger than 0.1 are displayed.

minimum wage setting' to have bigger factor loadings on factor 3 than 4. However, it should be noted that the difference between the loadings on factors 3 and 4 for these variables is small: -0.521 and 0.495 for *Involvement of unions in policy-making*; -0.332 and 0.345 for *Involvement of unions in minimum wage setting*, respectively.

After exploratory factor analysis, we ran four models of CFA in order to estimate the latent factors that would capture each of the four different dimensions of institutionalisation of trade union activity preliminarily confirmed by EFA. The results are displayed in Table 7.2.

Table 7.2 Indexes of trade unions' institutionalisation: results of confirmatory factor analysis

	Lambda	St. Error	R ²
Model 1: Index of concertation			
A social pact is proposed and negotiated (A6)	0.4506***	0.0088	0.89
The nation-wide bipartite agreement does only regard non-wage issues (A11)	0.0209***	0.0064	0.02
Agenda (proportion of the 13th issues treated)	0.1342***	0.0069	0.53
Intensity (social pact or agreement)	1.0074***	0.0384	0.68
Agents (number of actors involved in the pact)	0.7559***	0.0191	0.80
	Prob(S-B Chi-sq)	RMSEA	CFI
Model fit statistics	0.6825	0.0000	1.0000
Scale reliability: Cronbach's Alfa	0.78		
Model 2: Index of corporatism			
Institutionalised tripartite council (A31)	0.1287***	0.0203	0.07
Institutionalised bipartite council (A32)	0.1687***	0.0153	0.28
Involvement of unions in policy-making (A33)	0.7318***	0.0193	0.76
Joint (employers / unions) bodies for negotiation (A38)	0.7318***	0.0171	0.69
	Prob(S-B Chi-sq)	RMSEA	CFI
Model fit statistics	0.1440	0.0336	0.9990
Scale reliability: Cronbach's Alfa	0.72		
Model 3: Index of collective bargaining			
Coordination of wage bargaining (A1)	1.1362***	0.0453	0.65
Centralisation of wage bargaining (A3)	1.1729***	0.0300	0.90
Extension of collective agreements (A4)	0.2461***	0.0297	0.10
Involv. of unions in minimum wage setting (A5)	0.8650***	0.0517	0.35
	Prob(S-B Chi-sq)	RMSEA	CFI
Model fit statistics	0.0503	0.0585	0.9975
Scale reliability: Cronbach's Alfa	0.75		
Model 4: Index of T. U. in the workplace			
Work councils in firms with staff >= 50 (A34)	0.8764***	0.0144	0.91
Structure of works council (A35)	1.1488***	0.0238	0.73
Rights of works council (A36)	1.0316***	0.0206	1.02
Involvement of the works council in the negotiations of wages (A37)	0.1945***	0.0185	0.14
	Prob(S-B Chi-sq)	RMSEA	CFI
Model fit statistics	0.4174	0.0000	1.0000
Scale reliability: Cronbach's Alfa	0.87		

The upper part of each model in the table shows the lambda coefficient, the robust standard error and the corresponding R^2 of each variable. The lambda coefficient tells how well each indicator (variable) measures the latent dimension (index). As we can see, not all the variables are equally valid indicators of the latent dimensions. However, the fact that at least two lambda values are higher than 0.73 and the high statistical significance of all the coefficients confirm the validity of the variables as indicators of the four indexes. The R^2 is the proportion of the variance of each indicator (variable) that is accounted by the model. Again, not all the variables are equally reliable indicators of their corresponding latent dimension. Maintaining all of them in the model was necessary in order to avoid problems of identification.⁶

The lower part of each model in the table displays three different goodness-of-fit statistics⁷ and the Cronbach's Alpha (a scale coefficient of reliability) for each model. All the measures of goodness-of-fit are well below the cut-off values conventionally established, thus indicating that the models fit quite well with our data. The Alpha coefficient ranges from 0.72 to 0.87, confirming that our indexes are highly reliable.

Looking now at each dimension, we notice that the intensity of the pacts, the number of actors involved in them, and their level of enforcement are the best indicators of the index of concertation (Model 1). These are the variables with the highest coefficients and whose proportion of the variance explained by the model is highest. In the case of the 'index of corporatism' (Model 2), quite surprisingly the best indicators are not the participation in tri- or bi-partite councils, but, more generally, the level of involvement of unions in policy making and the sector organisation of unions and employers. As regards collective bargaining (Model 3), the best indicators of the index are, quite expectedly, the level of coordination and centralisation of collective bargaining, although the coefficient for minimum wage setting is also quite high. Finally, in the case of the index capturing the degree of institutionalisation of trade union activity at the workplace level (Model 4), the best indicators are the existence of works councils and the variable capturing their rights.

5.2 Cluster analysis

The validity of these four indexes has been tested, first, by assessing the extent to which they allow to identify groups of countries that resemble reasonably well the models of unionism identified in the literature. For this purpose, we applied *k*-means clustering to our CESifo data. For *k*-means clustering, the researcher should decide beforehand the desired number of clusters and we relied on Cebolla and Ortiz (2014) to

determine this number. Accordingly, we initially considered four models of unionism, but the results of the cluster analysis did not generate Cebolla and Ortiz's 'models of unionism', possibly because opportunities for left-wing parties to gain executive power were not included in our typology, as had been included in theirs. The results were more satisfactory when three clusters were considered. The group means of these indexes for each cluster are presented in Table 7.3. The first cluster shows the lowest means for all the indexes considered; the second cluster shows the highest mean for corporatism and trade union activity at the workplace, but an intermediate mean for collective bargaining; finally, the third cluster shows the highest group means for collective bargaining and social pacts (concertation). It should be noted that the means of the second and third clusters are not so far away from each other, but quite far away from the means of the first cluster.

Table 7.4 shows which countries are grouped into each of the three clusters. It is quite clear that the first cluster includes countries with the lowest level of institutionalisation of trade union activity. As expected, some of them are Anglo-Saxon countries, with the noticeable exception of Ireland which is well known for the importance of social pacts (Baccaro and Lim 2007). The cluster also includes many central and eastern European countries. After the transition from communism to democracy, the involvement of trade union organisations in the former political regime possibly delegitimised trade union institutions and favoured their demise.

The third cluster clearly identifies a group of countries where social pacts were revived in the 1990s and 2000s (Baccaro 2014): Portugal, Ireland, Spain, Italy, Greece, Slovenia, but also the Netherlands and Finland. In part, this revival was due to the collective effort of many of these countries to meet the requirements (low inflation, low public deficit) to enter into the European Monetary Union (Maastricht Criteria). Baccaro and Simoni also point to the fact that this challenge was faced

Table 7.3 Results of cluster analysis (group-mean of indexes)

	1	2	3
Index of concertation	-0.47	-0.58	1.32
Index of corporatism	-0.75	0.75	0.54
Index of collective bargaining	-0.78	0.46	0.78
Index of T. U. institutionalisation in the workplace	-0.90	0.96	0.46
Size (% of observations)	46.9	26.6	26.5

Table 7.4 Typology of countries according the institutionalisation of union activity

Country	Group 1	Group 2	Group 3	Total
Australia	15	0	7	22
Austria	0	17	5	22
Belgium	0	12	10	22
Bulgaria	14	0	2	16
Canada	22	0	0	22
Cyprus	18	0	0	18
Czech Republic	15	0	0	15
Denmark	0	19	3	22
Estonia	16	0	0	16
Finland	0	5	17	22
France	0	19	3	22
Germany	0	17	5	22
Greece	0	11	11	22
Hungary	3	9	6	18
Ireland	2	0	20	22
Italy	0	8	14	22
Japan	22	0	0	22
Latvia	13	0	0	13
Lithuania	13	0	0	13
Luxembourg	0	17	5	22
Malta	18	0	0	18
Netherlands	0	8	14	22
New Zealand	22	0	0	22
Norway	0	19	3	22
Poland	19	0	0	19
Portugal	3	0	19	22
Romania	10	0	5	15
Slovakia	10	0	5	15
Slovenia	0	4	15	19
Spain	0	8	14	22
Sweden	0	16	6	22
Switzerland	22	0	0	22
United Kingdom	22	0	0	22
United States	22	0	0	22
Total	301	189	189	679

Note: Entries are the number of years during the period 1986–2007 that each country is classified in each group.

by trade unions and governments that were often not as strong organisationally as those countries that are paradigmatic cases of corporatism. Neither trade unions nor governments have the strength or the power to impose their own criteria⁸ (Baccaron and Simoni 2008). This scenario was common to most of the countries mentioned, with the exception of

the Netherlands and Finland, where other idiosyncratic circumstances concurred with the importance of social pacts. In the case of Finland, there was the need to overcome the crisis derived from the demise of communism in the Soviet Union, one of its main trading partners. In the case of the Netherlands, the high score in the index of concertation may be a representation of the pacts that followed the economic crisis of the early 1980s that gave way to the Wassenaar agreement (1982), followed by successive similar pacts in the following years (Hamman and Kelly, 2007).

The second cluster is constituted by cases of classic corporatism, with usually well-established and strong mechanisms of interest representation: Austria, Belgium, Denmark, Sweden, Norway and Germany. They are also the countries that pegged their currencies to the Deutschmark early on. In Hancké and Rhodes' terms, by the 1990s they 'had already reconfigured their domestic institutions to produce low inflation and (...) low public deficits and debts' (2005: 10). Social pacts were not as necessary as in the countries belonging to the third cluster.

In sum, our four indexes of institutionalisation of trade union activity identify a reasonable grouping of countries, from which an interesting story can be told.

5.3 Institutionalisation of trade union activity and strike rate

Our theoretical discussion has argued about the importance of institutionalisation of trade union activity for avoiding *open* conflict between unions and employers. Thus, the second validity test of the four indexes of institutionalisation of trade union activity is by assessing the extent to which they contribute to the explanation of cross-national differences in strike rate. For this purpose, we built a panel, including data on strike rates, for 34 countries over a period stretching from 1986 to 2007. The panel also included most of the aggregate-level information that has been found relevant for explaining cross-national differences in labour conflict (Humphries 1990; Scheuer 2006; Brandl and Traxler 2010). The resulting panel was unbalanced: information was not systematically available for all the countries and years considered. This meant an inevitable attrition as we added new independent variables to our models. For this reason, our modelling strategy consisted in stepwise incorporating sets of variables into our models that produce the same loss of cases.

The first model in Table 7.5 confirms the serial correlation that we have mentioned above: strike rate in a given year is well explained by the strike rate in the previous one. Controlling for this serial correlation,

Table 7.5 Effects of institutionalism of union activity in labour conflicts

	Model 1	Model 2	Model 3	Model 4
Log (working days lost) one year lagged	0.4885*** (0.0884)	0.4192*** (0.0888)	0.3925*** (0.0980)	0.1293 (.1158)
Index of corporatism	-0.5569*** (0.2136)	-0.3365* (0.2062)	-0.1983 (0.2797)	-1.0603*** (0.4051)
Index of collective bargaining	0.0835 (0.3482)	0.2146 (0.3152)	0.2734 (0.4393)	-0.5440 (0.8171)
Centralisation of wage bargaining squared	0.0494 (0.0375)	0.0364 (0.0371)	0.0316 (0.0604)	-0.0167 (0.0654)
Index of institutionalisation of trade union in the workplace	-0.0050 (0.1147)	-0.1969 (0.1326)	-0.3332* (0.1726)	-0.0018 (0.2205)
Index of concertation	0.0442 (0.0992)	-0.0453 (0.0988)	-0.0548 (0.0963)	0.0838 (0.1126)
Right to strike, market sector		0.1743 (0.2605)	0.2793 (0.2890)	0.1910 (0.4479)
Right to strike, government		0.0892 (0.1361)	0.1722 (0.1539)	-0.0066 (0.1536)
Economic openness		-0.0052** (0.0024)	-0.0061** (0.0030)	-0.0030 (0.0034)
Unemployment rate		0.0694** (0.0280)	0.0742** (0.0299)	0.1443** (0.386)
Yearly GDP growth			-0.0198 (0.0474)	0.0055 (0.0554)
Union density			-0.0030 (0.0063)	0.0168* (0.0090)
Share of left parties in government				-0.0045* (0.0026)
Index of corporatism × Share of left parties in government				0.0030 (0.0046)
Log (inflation)				0.5299*** (0.1780)
Employment share of strike-prone sectors				-0.1004*** (0.0261)
Constant	1.1330*** (0.3291)	1.0502* (0.5395)	1.1938** (0.5782)	4.5521*** (1.3007)
Rho	0.0179	0.0313	0.0408	0.1354
Wald Chi ² test probability	0.0000	0.0000	0.0000	0.0000
Number of countries ¹	29	29	25	19
Number of observations	334	321	294	259

Notes: Entries are coefficients. Standard Errors are in parenthesis. ***Significant at $\alpha = 0.01$; ** significant at $\alpha = 0.05$; * significant at $\alpha = 0.10$.

¹Countries in Model 1 are: Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland and United Kingdom. In Model 3, the same are included except Cyprus, Lithuania, Malta and Romania. In Model 4, the following have been also excluded due to lack of data: Czech Republic, Estonia, Hungary, Luxembourg, Poland and Slovakia.

Source: own composition.

we see that, among the four indexes of institutionalisation of trade union activity, only corporatism has a significantly negative effect on strike rate. Neither the level of collective bargaining⁹ nor the level of institutionalisation of trade union activity at the workplace, or the level of concertation has a statistically significant effect.

In the case of collective bargaining, this result is at odds with the results of Brandl and Traxler's results. Brandl and Traxler did find that collective bargaining centralisation has a statistically significant and negative effect over labour conflict, which they argued could be due to either the 'uncertainty-reducing effect' of collective bargaining centralisation or the higher costs of conflict at this level of collective bargaining. We have to bear in mind, though, that ours is an *indicator of institutionalisation* of trade union activity in this domain; it does not just include collective bargaining centralisation, but also coordination and extension.

In the case of the institutionalisation of union activity at the workplace level, the sign of the coefficient is certainly negative, and it turns out to be remotely significant in Model 3, but it loses significance again when inflation, the colour of the government and the interaction between the colour of the government and corporatism are introduced in the last model of the analysis.

Unlike the other three indexes, the index of corporatism remains significant even after controlling for a higher number of factors potentially affecting labour conflict. The interaction between the colour of the government and corporatism introduced in the last model is not statistically significant. However, computing the corresponding standard error, we can see that the sum of the coefficients of corporatism and the interaction is significant; in other words, the effect of this type of institutionalisation of trade union activity when there is a right-wing government (when the share of left parties in government is null) becomes stronger than when there is a left-wing government (when the share of left parties in government is one). Although the size of the effect is small, it is nevertheless statistically significant, indicating, in line with Brandl and Traxler, that institutionalisation of this type of trade union activity especially matters when there are right-wing governments; in these cases, 'union participation works as a substitute for labour governments' (Brandl and Traxler 2010: 529).

The remarkable increase in the main effect of corporatism in Model 4 with respect to previous models is mainly due to the loss of countries for which data for the variables introduced in Model 4 was not available. These countries happen to be Central and Eastern European countries

belonging to Group 1; that is, countries whose score in the index of corporatism is low. In sum, the coefficient corresponding to the index of corporatism in Model 4 tells us that corporatism has a depressing effect on strike rates when there are right-wing parties in government *in countries where corporatism is already moderate or high*.

The participation of left-wing parties in government (percentage of cabinet seats) has a negative sign, as in Brandl and Traxler's analysis (Model 4). As for other controls introduced in the analysis, we see that restrictions on the right to strike in the public or the private sector do not have the expected negative sign, but they are not significant either. GDP growth does not show a significant effect either, but unemployment rate has a strong and positive effect over strike rate. As regards the weight of sectors more prone to labour conflict, the results are at odds with what Brandl and Traxler found in their analysis. Union density behaves as expected, although its coefficient is barely significant (Model 4): higher levels of union density correspond to higher strike rates.

There are two factors whose association with the strike rate seems quite robust: first, openness has a negative effect over the strike rate. As expected, countries more exposed to international competition exhibit a lower strike rate. Yet, this effect stops being statistically significant once the importance of sectors more inclined to labour conflict are included in the model.

The only control which seems to have a really powerful effect over strike rate is the standard deviation of inflation, revealing the adverse effect of uncertainty over industrial unrest. The higher this uncertainty is, the higher is the strike rate.

6 Discussion

There have been numerous attempts at creating numerical indicators of trade union influence in the areas of industrial relations, employment, and/or social policy. As a consequence of this effort, different indicators of coordination or centralisation of collective bargaining have been proposed; something similar has happened with the concept of corporatism (Siaroff 1999; Kenworthy 2003). To our knowledge, though, no attempt has been made to numerically disentangle all the different areas at which trade union activity can be more or less institutionalised.

This has been the objective of our research. By applying exploratory and confirmatory factor analysis to a wide range of variables drawn from

the CESifo DICE database, we have come up with four indexes of institutionalisation of trade union activity. Two of these indexes were initially expected: one captures the institutionalisation of trade union activity at collective bargaining; the other, the degree to which trade union activity is institutionalised at the workplace/company level. Unlike what was initially expected, there is not a single dimension or index capturing the institutionalisation of trade union activity in policy-making; on the contrary, we have found two different indexes. One of them captures trade union participation and influence in social pacts ('index of concertation'); the other captures the presence and activity of trade unions in bi-/tri-partite councils and direct political intervention ('index of corporatism').

These findings bring support to previous research, which has shown that these two dimensions of corporatism (as a system of interest representation on the one hand, and as a pure political process on the other) do not necessarily go together (Baccaro 2003; Brandl 2012). On the contrary they may act as alternatives. Baccaro and Lim argue that social pacts could be an alternative to trade union involvement in policy making if both governments and social partners are weaker than in the countries that are the most paradigmatic cases of corporatism, and when these actors face a situation of crisis (Baccaro and Lim 2007). Meeting the Maastricht Criteria was one of these challenges, as has been thoroughly argued by Hancké and Rhodes when writing about the resurgence of social pacts in the 1990s (2005).

We have tested the validity of the four indexes by means of cluster analysis and a time-series cross-sectional analysis of strike rate. Cluster analysis did not yield the four clusters that Cebolla and Ortiz came up with in their recent analysis of union members' inclination for extra-representational political participation (2014). Yet, the three clusters that result from exploring the similarity of our countries of analysis in terms of the four indexes created make sense. With the exception of Ireland, Anglo-Saxon and central and eastern European countries are clearly grouped in a distinct cluster characterised by low levels of institutionalisation of trade union activity. The other two clusters are not as far apart from each other. One of these groups brings together the countries that are more paradigmatic of the old, classic type of corporatism; the other includes countries where a recent upsurge of concertation has been observed in the 1980s and the 1990s, quite often related to the relative weakness of trade union movements and governments, and their need to face the challenge of meeting the Maastricht Criteria in order to join the European Monetary Union. In sum, cluster analysis

confirms the validity of the four indexes of institutionalisation of trade union activity relatively well.

As a second validity test of the four indexes, we introduced them in multivariate analyses aimed at explaining cross-national differences in strike rate. We implicitly hypothesised that a higher institutionalisation of trade union activity was associated with lower levels of labour conflict, but we only found that this was the case for one of the four indicators generated by factor analysis. Neither the level of institutionalisation of trade union activity in standard collective bargaining nor the level of institutionalisation in the area of social pacts seemed effective in explaining cross-national differences in strike rate. The sign of the coefficient for the index of institutionalisation of trade union activity at the workplace level was certainly negative, but only marginally significant in one of our models.

Yet, trade union involvement in standard corporatism had a strong negative effect on strike rate, as initially expected. Moreover, in line with Brandl and Traxler's findings, we found that such a negative effect was slightly stronger in periods of right-wing government. We found this effect mostly for countries outside Central and Eastern Europe (2010). As also argued by Humphries (1990), the institutionalisation of trade union participation in policy-making makes a difference precisely when right-wing parties are in office. The result goes also in line with Hamann, Johnston, and Kelly's finding that trade union exclusion from relevant policy areas is a significant predictor of cross-national variation in the incidence of general strikes (2012).

Why does institutionalisation of trade union activity not have the expected negative effect on labour conflict for some of the dimensions of trade union activity initially considered? Institutions may not be just channels of conflict and representations of the balance of power between employers and trade unions, they may be also *resources* that facilitate collective action, and therefore may make strikes more feasible. For instance, it might be that a higher institutionalisation of trade union activity at the workplace level is not only a way of channelling the conflict between workers and management, but a resource that trade unions may activate if they find it necessary to call workers out on strike. In that case, these two forces may cancel each other out, so that no significant effect is perceived on the strike rate. It might also be that institutions are more easily used as *resources* for collective action at a lower level of industrial relations. A strike at the workplace or company level may have fewer consequences for the union as a

whole than a strike that is called by a trade union confederation at the national level.

This argument would explain the difference found between the effect of corporatism, on the one hand, and institutionalisation of trade union activity at the workplace level, on the other hand; but it seems insufficient to explain the difference between corporatism and concertation, since these two indexes more or less operate at the same level. Some have argued a positive association between social pacts and general strikes (Hamman and Kelly 2004). Strikes may punctuate the bargaining process, in a strategy called by Campos Lima and Martín Artiles as 'dancing and boxing' (Campos Lima and Martín Artiles 2011). It may suggest that we may again have two opposing forces: on the one hand, institutionalisation may work as a way of channelling conflict and preventing a cruder version of it (strike); on the other hand, institutionalisation may be part of the development of the bargaining game played between companies and workers, or between employers' association and trade unions'.

Further research should clarify the role of institutions and institutionalisation in these three spheres or dimensions of trade union activity (collective bargaining, social pacts, and workplace industrial relations) where institutions may also be resources for collective action, or a way of applying pressure in a process of negotiation. Other shortcomings of this research should also be acknowledged here, as a matter or a motive for future research. Firstly, there is a potential problem of endogeneity affecting the research question: institutionalisation of trade union activity may reduce industrial conflict as much as a low level of industrial conflict may facilitate institutionalisation of trade union activity. Secondly, our statistical model, quite unfortunately, is not hierarchical: it does not differentiate between individual-level and aggregate-level factors potentially affecting the individual propensity to join a strike. This means that we are implicitly assuming a homogeneous distribution of these individual-level factors within each and every country considered in the analysis, which might not be a true assumption. A multi-level analysis of individual participation in labour conflict, including our four indexes of institutionalisation of trade union activity, along with controls that not only operate at a national level but also at an individual level, would be a more accurate way of assessing the real effect of those indexes over our dependent variable.

Data annex: Variables in the CESifo database

Variable	Label	Values
Variables in the CESifo database		
A1	Coordination of wage bargaining	1 = fragmented bargaining to 5 = economy-wide bargaining
A3	The dominant level(s) at which wage bargaining takes place	1 = local or company bargaining to 5 = national or central level
A4	Extension of collective agreements to non-organised firms	0 = no, 1 = yes but used not widely used (<10%), 2 = yes, regularly applied (> = 10%)
A5	Minimum wage setting (recoded)	0 = no national minimum wage or set by judges or expert committee to 4 = minimum wage is set through tripartite negotiations)
A6	A social pact is proposed and negotiated in specific year	0 = no, 1 = yes
A7	A tripartite social pact is reached and signed in specific year	0 = no, 1 = yes
A8	The tripartite social pact contains policy commitments	0 = no, 1 = yes
A9	A nation-wide bipartite agreement is reached and signed in specific year	0 = no, 1 = yes
A11	The nation-wide bipartite agreement does only regard non-wage issues	0 = no, 1 = yes
A14	A social pact or agreement is reached and signed in specific year	0 = no, 1 = yes
A15	Pact or agreement is negotiated by all or some of the (possible) actors	0 = no pact, 1 = tripartite, 2 = without unions, 3 = without employers, 4 = unions and employers with heavy involvement of the government, 5 = unions and employers, but implemented by law, 6 = unions and employers.
A17	The pact deals with wages	0 = no, 1 = yes
A19	Pact or agreement is about procedure for wage setting	0 = no, 1 = yes
A20	Pact or agreement also contains a norm or ceiling regarding maximum wage rise	0 = no, 1 = yes
A21	Wage clause in pact or agreement applies in specified year	0 = no, 1 = yes
A22	Pact or agreement contains concessions regarding taxation or budgetary decisions	0 = no, 1 = yes
A23	Pact or agreement contains concessions regarding working hours	0 = no, 1 = yes
A24	Pact or agreement contains concessions regarding employment policies	0 = no, 1 = yes
A25	Pact or agreement contains concessions regarding labor laws	0 = no, 1 = yes
A26	Pact or agreement contains concessions regarding social security	0 = no, 1 = yes
A27	Pact or agreement contains concessions regarding pensions	0 = no, 1 = yes

Continued

Variable	Label	Values
A28	Pact or agreement contains concessions regarding vocational training	0 = no, 1 = yes
A29	Pact or agreement contains concessions regarding unions rights	0 = no, 1 = yes
A30	Pact or agreement sets up or changes nations-wide councils for concertation	0 = no, 1 = yes
A31	Existence of an institutionalised Tripartite Council (private sector)	0 = no, 1 = yes
A32	Existence of institutionalised Bipartite Council	0 = no, 1 = yes
A33	Involvement of unions and employers' organisations in social and economic policy-making	0 = never or nearly never, 1 = occasionally, 2 = routinely
A34	Work councils in firms and establishments with 50 or more staff	0 = is absent or voluntary, 1 = yes but coverage < 75%, 2 = yes and coverage > = 75%
A35	Structure of works council or employee representation	0 = is absent, 1 = works council only when unions do not exist, 2 = works council covers union members only, 3 = works council covers union and non-union members
A36	Rights of works council or employee representation	0 = is absent, 1 = information rights, 2 = consultation rights, 3 = co-decision rights
A37	Involvement of the works council in the negotiations of wages	0 = is absent or has no role, 1 = informal, 2 = formal
A38	Sectoral organisation of employers and unions, or joint bodies for negotiation, dispute settlement, training and/or recruitment	0 = none, 1 = only in some sectors, 2 = yes
Variables created using information from the CESifo database		
Agenda	Proportion of the 13 issues treated in the pact or agreement contained in the variables A17 to A30 except A18)	Continuous, with min = 0 and max = 0.69 (mean = 0.11)
Intensity	Intensity of the pact (combination of the variables A7, A8 and A9)	0 = no pact, 1 = agreement, 2 = social pact, 3 = social pact with policy commitments
Agents	Number of actors involved in the pact or agreement (recodification of A15)	0 = no pact, 1 = bipartite pact, 3 = tripartite pact
Variables from other sources		
Log(inflation)	Natural logarithm of the inflation rate	CESifo database
Union density	Density of trade unions associations	Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) (http://www.uva-aiaa.net/208)
Share of left parties in government	Percentage of leftist cabinet seats in government	Klaus Armigeon's Comparative Political Datasets (http://www.ipw.unibe.ch/content/team/klaus_armigeon/comparative_political_data_sets/index_eng.html)

Continued

Variable	Label	Values
Economic openness	Sum of exports and imports as a percentage of the GDP	World Bank database
Right to strike	Two dummy variables signaling the existence of right to strike in the market sector and in government, respectively	Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) (http://www.uva-aiaa.net/208)
Yearly GDP growth	Yearly percentage of GDP change	OECD database
Unemployment rate	Rate of Unemployment as % of Civilian Labour Force	OECD database
Employment share of strike-prone sectors	Percentage of manufacturing, construction, transport, storage and communication sectors over total employment.	OECD database

Notes

1. The 'varieties of capitalism' theory also suffers from this neglect of power in its perspective of institutions (Hall and Soskice 2001).
2. In spite of the supposed drive towards convergence coming from globalisation, Kelly and Frege argue that there are no signs of convergence of national trade unionism (2004).
3. <http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market-and-Migration/Labour-Market-Unions-Wage-Bargaining-Labour-Relations.html>.
4. Although there is information available from 1960, we restricted the data considered for the factor analysis to the period from 1986 to 2007 because strike rate, used as a touchstone to assess the validity of the indexes generated by the factor analysis, is only available from 1986.
5. Although we considered TSCS as the most suitable statistical technique for our analysis, we also applied fixed-effect modelling to our data, taking countries as the second level of analysis. The results of applying fixed-effects did not differ much from TSCS.
6. The number of covariances observed has to be higher than the number of parameters to be estimated in the model. This is a necessary condition for identification and forced us to take a minimum of four indicators to estimate each latent dimension. In this case, for fitting the models we allow the error terms of some variables to correlate: 'Intensity' and 'Agenda', 'Intensity' and 'Agents', and A6 and A11 for the first model; A31 and A33 for the second; A1 and A4 for the third; and A34 and A35 for the fourth. This strategy increased the number of parameters to be estimated in the models and forced us to use a fifth indicator in the first model.
7. Chi square is the most standard measure of goodness of fit. It indicates the difference between observed and expected covariance matrices and it is used to test that the model fits the data. Since our data do not fulfil the assumption of normality, we used the correction of the chi square proposed by Satorra and

Bentler (S-B Chi square) (Satorra and Bentler 1994). Since chi square is very sensitive to sample size and number of variables, we also used two additional goodness-of-fit measures. The Comparative Fit Index (CFI) is equal to the discrepancy function adjusted for sample size. It ranges from 0 to 1, with larger values indicating better fit. The Root Mean Square Error of Approximation (RMSEA) is the chi square adjusted for model complexity and sample size. It also ranges from 0 to 1; in this case, smaller values indicate a better fit. As cut-off values, we used the 0.05 level of significance for the S-B-Chi square, and the values 0.95 and 0.08 for CFI and RMSA respectively.

8. '(...) governments are interested in concertation when unions are neither too strong nor too weak' (1339). If trade unions are weak enough, governments do not have much of a problem to impose their view; if, on the contrary, trade unions are really strong, there is the possibility that they hijack the process of negotiation with adverse political consequences for the party in office. As regards governments, they are 'in need of adding legitimacy to economic adjustment measures if they are concerned with vote and office considerations in addition to meeting policy goals' (Hamann and Kelly 2007: 17)
9. Collective bargaining centralisation score has been squared in order to account for any eventual non-linear relationship between collective bargaining centralisation and strike rate that has been suggested by the literature (Calmfors & Drifill 1988).

8

Welfare beyond the State: Employers as Welfare Providers in Germany and the UK

Felix Behling

1 Setting the scene

With the creation of modern mass employment, employers and companies have often provided some welfare benefits to their employees, some of which have attained a certain degree of fame. Workers at the Carlsberg brewery are entitled to free beer; employees of IT firms Google and Facebook can choose among different food outlets or gaming consoles; and some companies build whole towns to accommodate workers. Traditionally, welfare has been seen either as the exclusive domain of states and resulted in typologies like Esping-Andersen's regimes of welfare capitalism; the outcome of specific coordination processes; or the historical moment of industrial capitalism in which employers used industrial welfare to increase their power and control over employees (Brandes 1976; Esping-Andersen 1990; Hall and Soskice 2001; Reid 1985). However, it is puzzling that little research has actually found its way into comparative political economy accounts of welfare despite well-developed literatures on the relationship between employers and employees, country-specific institutional arrangements, and the role of in-work benefits for creativity and innovation. Discussions have remained within narrowly defined areas of investigation without providing a theoretical bridge between the micro accounts of historical in-work observations and macro explanations of institutional developments of political economy and social policy.

On one side, welfare literature almost exclusively analyses the state's role and responsibilities in providing welfare with an occasional notion of welfare mixes, in which the state divests welfare responsibilities to

third parties. Welfare regimes are clustered around different logics for the creation, administration, and delivery of welfare as expressed by their advancement into breaking up the cash nexus and decommodifying citizens, who will then be able to maintain a living outside wage relationships. The dominant focus also implies a developmental nature of welfare states where uncoordinated or market-based solutions are placed at the lower end and state coordinated solutions placed on the upper end, the side of preferable outcomes (Esping-Andersen 1990; Goodin et al. 1999; Gould 1993).

However, such an approach has several problems which mostly originate from the sharp differentiation between the state – which is seen as the (only) sphere of decommodification – and the market – the sphere of (inescapable) commodification (Clasquin et al. 2004). Welfare at the workplace level would fall in-between this distinction because it actually is both de-commodification and commodification of the worker. Moreover, welfare at work would fall outside its scope of analysis, or be at least at its margin, since the role of the state itself is marginal in employee welfare. Companies decide to implement welfare for various reasons and only some of these may be in response to legal or political initiatives (Luhmann 1994). Finally, the emphasis on state action places employment in an outsider role because it is contrasted to the state's aim of decommodification. With welfare at work, employment receives a more supportive role. In reality, most governmental welfare activities rely on insurances and contributions from employees and the dichotomy between market-no welfare and state-welfare does not work adequately (see also chapter by Ciccica).

On the other side, comparisons of advanced economies within the VOC approach essentially distinguish countries and regimes according to whether economic relations are freely created and maintained in the market or experience some kind of coordination by states in order to facilitate economic relations (Crouch and Streeck 1997; Hall and Soskice 2001). The German Rhenish capitalism is a prominent example for coordinated market economies in which employee welfare would be the result of the employer's moderating force over capitalism through his political authority in the company (Albert 1993). The Anglo-Saxon model entails liberal market economies such as Britain, which fully rely on informal and decentralised market interactions between employers and employees. Situating welfare at the workplace in both spheres presents a challenge to the concept of VOC because it comprises an element of coordination within the environment of the market and lies outside immediate state participation. With welfare, companies aim to

attract and retain workers while also implementing some notion about their social responsibilities, and these would fit neither a pure market base approach nor a state based approach. It requires a more nuanced picture of the pull and push relationship between differentiated subsystems (see chapters by Ebbinghaus and Hofäcker on early retirement regimes, and by McGinnity and Russell on work-life balance; further Luhmann 1984, 1997).

This chapter traces the relevance of welfare within the employment relationship and conceptualises these activities as elements of employee welfare on the example of Britain and Germany. These are interesting cases as they represent the two opposite political economies in the VOC approach; Britain is a liberal market economy and Germany is a coordinated market economy. The analysis shows the to be expected variation but more importantly outlines the similarity of employee welfare across the two countries, which necessitates a reformulation of the employment concept within comparative political economy.

2 Bringing welfare back in

It is therefore timely to develop an understanding of employee welfare that connects welfare with the employment relationship in three steps. First, employee welfare can follow Titmuss's description of welfare as something which is aimed at the well-being of individuals and the satisfaction of their needs arising in times of need (Griffin 1986; Radcliff 2001; Titmuss 1968, 1976). A welfare state is the institutional responsibility and provision of welfare in states of dependency, where the state takes up the communal obligation to care for the members of that community, usually its citizens (Clarke 2004: 19). Thus, employee welfare would be limited in its scope to the workers and immediate community of a company while retaining the characteristics of providing welfare for certain needs.

Second, employee welfare extends beyond the existing concept of occupational welfare by including family members. Occupational welfare is concerned with the states of dependency of employees, which arise from their work and the employment relationship, and is modelled as 'miniature welfare state' (Martin 1967: 12). It differs from the concepts of social and fiscal welfare in its mode and institutional background because it is present in an organisational context governed by labour contracts, wage relations, and managerial discretionary power instead of inclusive and social citizenship rights (Titmuss 1976: 42). However,

the concept of occupational welfare becomes inadequate through the neglect of benefits moving between work and non-work and which depend on the complex day to day interactions between management and workers (Burawoy 1979). Moreover, an employee takes with them some welfare provisions when he or she leaves the company like in the case of occupational pensions or health insurances. In fact, a concept of employee welfare needs to include the employee at their workplace and outside because employees are societal agents, who interact in a variety of relationships.

Therefore, the third step to develop a concept of employee welfare is to account for the broader context, in which it takes place and which extends beyond the company. The US Bureau of Labor Statistics' definition of welfare points out that employee welfare might entail 'anything for the comfort and improvement, intellectual or social, of the employees, over and above wages paid, which is not a necessity of the industry nor required by law' (Bureau of Labor Statistics 1919; Brandes 1976: 5–6). In contrast to Titmuss and Martin, this definition incorporates family members of employees into a concept of welfare because the social comfort and improvement of employees are created both inside and outside companies. This definition is thus broad enough to subsume various aspects of welfare and in-work benefits while leaving scope to incorporate voluntary, legally required, and regulatory welfare activities of companies.

The chapter defines and uses employee welfare with three features:

- first, employee welfare means the engagement of companies to secure and enhance the well-being of their employees, and if necessary, the dependents of these employees;
- second, it supplements the wage element of the employment relationship but is not a substitute for it; and,
- third, it is either voluntarily provided or stipulated by laws and collective agreements.

States actively shape the working conditions at the company level through legal provisions in regard to working time, labour processes, or production processes (see chapters by Murphy and Loftus on flex-insecurity, and Shire and Tünte on service work in Germany). These acts determine the areas in which in-work benefits are feasible, and the extent to which they can be provided in the company. Moreover, there is an interaction of benefits between company and state that can be complementary and provide collective solutions to states of dependency

at the local and general level. Together, legal and welfare state arrangements mark an institutional factor that produces variation between employee welfare activities in different countries. For example, the German pension system is clustered around the strong state pension, which provides little incentive for occupational pensions in the magnitude as British occupational pensions. The opposite is the case for health, which is dominated by the National Health Service in Britain but spread across a variety of health actors and insurances in the Germany.

Employee welfare comprises elements found in the governmental welfare system and combines them with business specific considerations such as integration into labour processes or corporate strategy, and focuses on employees as societal agents. Instead of decommodification, employee welfare aims at an increase of productivity and efficiency by addressing some of employees' states of dependencies arising from the labour process. Through this, employee welfare can play a significant role in the production process because it provides companies with additional resources to employ labour and react to business conditions. At the same time, employee welfare is receptive to the individual aspects of employees and allows grasping the variations between individual employment relationships within a common framework.

3 Germany

In the existing approaches, Germany is commonly portrayed as a corporatist economy, in which the state is ruling together with an economic and social elite (Hall and Soskice 2001). The key element is the coordinated market exchange, sometimes referred to as a social market economy and welfare in that view is a political subject, used to ensure societal cohesion and political stability by containing the political power of the left. To this end, the Bismarckian welfare state instituted a pension, unemployment and health system that met the approval of business actors (Hennock 2007; Kaufmann 2005; Mommsen and Mock 1981). Companies took on a functionary role by organising certain welfare benefits and thus reaffirming societal hierarchy as the benefits had little redistributive effects. The inclusion of companies supports the exchange of ideas between governmental and employee welfare, which is evident in the following examples.

The companies Krupp and Zeiss present some key examples to understanding historical employee welfare in Germany. Krupp expanded from a general wholesale store in the seventeenth century to one of the most important steelmakers in the nineteenth and twentieth centuries.

Alfred Krupp had strong political ideals which conformed to the general view in German society on hierarchical relations. In an address to his employees, he argued that,

The fate of the whole fatherland should be important...but...serious engagement requires more time...as it is at your disposal....As much as I wish, that my workers only read useful instructions instead of the seductive writings, I can force Nobody...Everyone must bear the consequences of his way of action....who want to disturb the consensus and peace to the disadvantage of the big community. (Krupp Ein Wort an die Angehörigen meiner betrieblichen Anlagen, found in Frobenius 1898: 175)

In Krupp's view, employees had limited means to construct a grounded political opinion while also being responsible for their work and family, and he saw their responsibility and his authority being infringed by the rise of social democracy in Germany (Krupp in Frobenius 1898: 169). Breaking up the established hierarchy in German society by means of political change would negatively impact on the well-being not just of the upper classes but utmost on the working class because capital would refrain from economic investments. In this, Krupp echoed Bismarck's remarks on the cohesive force of welfare, which might prevent further political change by realigning worker and employer interests (Bismarck to Itzenplitz on 17/11/1871, found in Bundesministerium für Arbeit und Sozialordnung and Deutsches Bundesarchiv 2001: 231). Welfare served the purpose of maintaining existing hierarchies and strengthening the authority of the state and Krupp. In return for obedience, the state and company would reward workers with welfare benefits (Krupp in Frobenius 1898: 169–171); 'work should be the common good, then work will bring blessing, then work is prayer' (Krupp in Frobenius 1898: 147; Tenfelde 2005: 56). Where political prerogatives brought the existence of the citizenry, loyalty to Krupp resulted in the spirit of 'Kruppians', who were part of a community that transcended wage and contractual agreements (Gall 2000: 120 and *passim*).

Zeiss was founded in the mid-nineteenth century and produces optical lenses and related objects. The ideal of its owner to engage in welfare is both similar to and different from Krupp's. Zeiss is similar because it took a political standpoint; it is different because Zeiss's employees were regarded as near equals to Carl Zeiss, the owner. They enjoyed a broader range of social rights and could participate in the company's management. In outcome, employee participation would counteract the

present socialist influences and thus presented an alternative approach of dealing with politics at the workplace than at Krupp's (Mühlfriedel and Walter 1996: 243).

This right was enshrined in the charter of the trust, which owned the company, and aimed at the guarantee of both economic well-being and fulfilment of social obligations; moreover, the charter granted the right to political engagement of the employees in the local and regional community (Hermann 1989: 317–328; Mühlfriedel and Walter 1996: 187 and 185, see also §5 of standard articles for Zeiss employment, p. 248) The personal ideal behind this strong openness to social and political rights was justified by Carl Zeiss and his successor Ernst Abbe to position the company as progressive and 'expiatory'. Employee welfare was not only about providing benefits in some areas but also to enhance working conditions as a whole and to calm the social consciousness of Zeiss, who had valued the well-being of the community more than his own (E. Abbe in Mühlfriedel and Walter 1996: 295). Yet, despite the progressive nature of employee welfare at Zeiss, there is still an element presenting itself as a good employer and contributor to the betterment of people, similar to ideals at the industrial gas producer Linde that deemed employee welfare mutually beneficial to employer and employees (Dienel 2004: 138).

Today, similar ideals for welfare responsibilities are repeated in the corporate social responsibility (CSR) programs of major German companies; 'to be responsible to customers... optimal products and services; ... to employees... sophisticated workplaces with [career] prospects... to society... as an active member. The responsibility... towards... shareholders, is, however, the main focus' (Thyssen 2008). Commerzbank and BMW describe employees as a core asset to the company's success and regard employee welfare as a way to become a good employer and an efficient company; 'well-educated individuals select the company they want to work for... to attract these individuals, it is becoming more important... to demonstrate its responsible conduct' (Commerzbank 2007) and accepted employees 'do more and identify themselves stronger with the company.... Respect leads to value surplus' (BMW 2008).

CSR reports cite the financial and operative embeddedness of employee welfare; Linde places welfare among 'SHEQ [Safety, Health, Environment, and Quality], corporate citizenship, ethics and compliance, and capital markets' (Linde 2007). Some companies elevate their social responsibilities towards employees to the guiding principle in any business activity. The company Deutsche Börse regards corporate responsibilities as a 'corporate philosophy that puts transparency, ethical behaviour and respect for stakeholders at the forefront of its entrepreneurial

activities' (Deutsche Börse 2007). Krupp, now ThyssenKrupp, still has strong German values and is ready to uphold these in operations outside Germany. 'The workplace in a German factory in China should be ... worthy of a German company' (Thyssen 2006).

Despite the different interpretations of politics by Krupp and Zeiss, and the development from historical to present responsibilities, there is little variation in the actual benefits that German companies provided. One of the few differences concerns the relation of employee welfare with governmental welfare, in which the former has a supplementary rather than a substitutive role. In the past, health was one of the central employee welfare activities. Krupp and Zeiss offered such schemes to their employees; Krupp started a health insurance in 1836 (Gall 2000: 100) and Zeiss in 1875 (Mühlfriedel and Walter 1996: 284ff.). Both schemes were initially restricted to certain occupational groups but later covered all employees, and at Zeiss, also family members; such distinctions between occupational groups existed in the governmental system too in the form of public-private and closed company health insurances. Notably, administration of Zeiss's health insurance was shared between management and employees, which led to the institutionalisation of employee representation on a general level from 1897 onwards (Mühlfriedel and Walter 1996: 142–148 and 252–260).

In addition, companies offered several other benefits to their employees. Krupp employees received 'gift vouchers' that could be redeemed as a bonus payment upon retirement; key eligibility criteria was loyalty and thrift of the employee (Berdrow 1928: 286; Tenfelde 2005). Zeiss employees equally participated in the financial success of their company with the intention of presenting Zeiss as an employer of choice (Mühlfriedel and Walter 1996: 281). Krupp and Zeiss added further financial benefits by running supermarkets that sold groceries to employees at a discount; Zeiss produced soda and sparkling water around World War I for the families of its employees (Beitz 1994: 76–84; Mühlfriedel and Walter 2000: 34 and 83). While such rewards are tied to wages and particular services, the broader range of non-wage welfare elements also became professionalised with the increase in the number of employees. Employees at Krupp could join educational courses and leisure activities, organised by a dedicated education society (Beitz 1994: 87–89). Some activities were literature courses, a company library (Beitz 1994: 162–166), and a corporate orchestra (Beitz 1994: 186–191).¹ However, these activities came with secondary aims to either ensure good moral conduct by single males at Krupp or to counteract socialist

tendencies by controlling the leisure time activities of employees at BASF (Johnson in Abelshauser 2002: 153–155).

In contemporary times, benefits are influenced by a set of legal and formal regulations that arise from governmental policies and business strategies. Health insurance is still offered and is a vital component of the German health system because it covers many employees in the private sector and other parts of the population, having opened up and now offering 'comprehensive preventive health programmes to our employees and their co-insured dependants at numerous locations' (Linde 2007). Health insurances are supplemented by actual health care provisions, including psychological services for the well-being of employees. Commerzbank implemented a plan which offers 'assistance...and will enable line managers and colleagues to respond appropriately to employees' addiction problems or drug abuse' (Commerzbank 2007). Corporate medical staff are a first point of contact to employees for medical care or emergency health services such as at MTU (MTU 2007) and undertake legally required health and safety assessments at the Deutsche Postbank, comprising '50 doctors and more than 170 occupational safety specialists...in Germany' (Postbank 2007). However, these activities also vest the company with greater control over the labour process; 'Only these, who are physically and mentally healthy, can work efficiently. To safeguard the productivity of our employees we consequentially further develop our corporate health management' (Fraport 2006).

Financial benefits now mostly rotate around pension schemes and sometimes profit participation. Wincor Nixdorf ties bonuses to individual, group, and company performance (WincorNixdorf 2007) while AWD takes a long-term view aiming to reward workers for seniority and continuous performance (AWD 2007). There has been change in response to constraints in the financial viability of generous packages, similar to changes of governmental pension schemes. The plan of Siemens currently covers around 535,000 persons, of which more than half do not contribute anymore; to avoid the scheme's failure, Siemens switched from a defined benefits to a defined contribution plan, plainly to 'reduce the risk exposure to Siemens' (Siemens 2007). MAN puts the change more positively, writing that the 'gradual adaptation...made the company's commitment to old-age provisions even more secure than before. While the system up to 2005 provided only ongoing pension payments, now employees upon retirement receive a capital down payment' (MAN 2007).

On top of financial benefits, companies like to draw attention to the social responsiveness of their business operations. In cases of restructuring and redundancy programs, such as those at Deutsche Postbank in the acquisition of BHW, a building society, they aim to support employees in finding alternative employment or retire early (Postbank 2007). Occasionally, companies play down the state's role in such actions, regarding themselves as proactive rather than merely compliant. Hochtief needs to allow and support collective representation by law, not because of its voluntary social responsibility as stated in their CSR report; 'In Germany, 94 percent of employees are represented through working councils....The managing board emphasises attention to the employees' concerns...and...constructive collaboration with the work councils' (Hochtief 2007). However, some companies are also honest about the limitations of their welfare programs arguing that they 'cannot balance the stepwise decrease of the public basic provision of a pension but we actively support our employees in securing their living standard in old age' (K+S 2007). Their actions can only focus on employees and their families but not the whole population. Bayer aims to provide as much employee welfare as the context allows and does not affect its profits too much; 'Under comparable prerequisites, we provide equal pay for equal work' (Bayer 2006).

4 Great Britain

Britain is portrayed as a liberal economy in which market institutions interact with little coordination by a central state (Hall and Soskice 2001). In welfare state theory, Britain is located among the Anglo-Saxon variants with universal but minimal welfare benefits, which lead to a low level of de commodification (Esping-Andersen 1990). The modern British welfare state was conceptualised by Beveridge after World War II to address central welfare areas such as health, pensions, and social assistance in a wholesome manner to overcome the patchiness of previous versions. Historically, the British welfare state had carried a distinction between the deserving and undeserving since the Elizabethan poor laws of the seventeenth century, in which moral conduct determined whether someone was deserving of welfare or undeserving (Fraser 2003; Hennock 2007; Mommsen and Mock 1981). The poor law of 1838 in effect created a class of welfare recipients who were confined to workhouses and attached stigma to the receipt of welfare. Beveridge's reforms aimed at abolishing the continuing stigma and repositioning welfare as a means for people to escape states of dependency so that they could

fulfil their societal responsibilities (Beveridge 1942). At the same time, the state legislated working conditions, particularly those of women and children in factories, but kept its overall commitment to a minimum level and pursued a standpoint of informal industrial relations, which to the most comprise the local negotiations between management and employees (UK Parliament 1968). Businesses agreed and sought to end 'labour troubles...by the quiet process of arbitration, rather than we should be at daggers drawn, losing trade, losing wages, losing capital' (NER 1/279, Chairman's Speech 86 H.G.M., 12/2/1897, found in Irving 1976: 60).

At the firm level, similar standards of improving the moral virtue of employees and using cooperative management governed employee welfare systems. Lord Leverhulme of Unilever locates employee welfare at the intersection of virtue, philanthropy, and personal fulfilment. In a presentation to the Royal Society of Arts, he argued that any employer has a moral obligation to support the company's employees; 'that still no employer-capitalist with a true feeling of brotherhood can be quite happy in the fullest sense in the enjoyment of wealth...without feeling a strong sense of dissatisfaction with present industrial conditions and a strong desire to improve them' (Lord Leverhulme in Wilson 1970: 142). Employee welfare is not an isolated event but aims to provide employees with better working conditions. Two companies, Rowntree and Cadbury, who were renowned in Britain for their employee welfare activities, referred to similar religious and scientific management ideals in the pursuit of employee welfare. Rowntree argued on the conditions of work at his company that 'the value of the [company] depends on the...mind of those who enter it. It presents good opportunity for the industrious...The place is not suitable for the indolent and the wayward...otherwise the thoughtless or easeloving individual wastes the time of the others' (J. Rowntree in Vernon 1958: 32). The company was regarded as the sum of its parts, depending in equal parts on the dedication of the owner and the employees, and if necessary on Rowntree's guidance of the employee. Rowntree implicitly defined good industrial relations as 'conditions necessary for success. In keen competition the vigour and intelligence of the workmen are likely to be a determining factor' (J. Rowntree in Fitzgerald 1995: 225). In doing so the company 'may in all respects maintain those habits and practices in regard to dress, language, etc., which distinguish the religious Society of Friends' (J. Rowntree in Vernon 1958: 33).

The situation at Cadbury was quite similar. The guiding idea was cooperation and mutual satisfaction that is sought in doing good

business; 'business efficiency and the welfare of the employees are ... sides of the same problem. Character is an economic asset; and business efficiency depends not merely on the physical condition of employees, but on their general attitude and feeling towards the employer' (Cadbury 1912: xvii). Edward Cadbury's and Joseph Rowntree's cooperative ideals led them to see in the employment relationship a mutual obligation of both employer and employees, similar to the idea of governmental welfare of enabling but not stifling a person's virtues of industry, moral conduct, and the improvement of society; 'the welfare of employer and employed are not antagonistic, but complementary and inclusive, and that each position brings its duties and its rights. Thus the workers are led, not driven, and each consciously co-operates with the management in working for a common end' (Cadbury 1912: 69). Employee welfare is a means to forge and preserve the mutual obligations while ensuring that some of the profit returns to the employees in a way that their lives are sustainably improved. The moral undertone of employee welfare can be seen in Cadbury's emphasis on the necessity to provide some guidance to his younger employees; they 'do not appreciate fully the great change that is taking place in their lives, nor do they realize the added responsibility that "growing-up" brings with it' (Cadbury 1912: 2). He complains about the lack of appreciation showed by them for the employment the company offered. Thus, 'Preference is given to applicants just leaving school, as they have not yet lost their habit of discipline and obedience' (Cadbury 1912: 4).

In today's corporate social responsibility programs, Cadbury still refers to its heritage and points out the collaborative nature of its employee relations. 'At Cadbury Schweppes our colleagues are central to our success and have always been at the heart of the way we operate... We do this because we need to continue to attract, motivate, develop and nurture exceptional people' (CadburySchweppes 2006). One reason for Cadbury to pursue corporate responsibility is to honour its traditional role as a leader in this area. In the takeover battle with Kraft, this tradition played a role in the calculation of the takeover bid and translated directly into financial superiority (Mathiason 2009); another reason is to remain an employer of choice and continue the cooperative relationship with its employees. AstraZeneca outlines four core values, which range from abstract to concrete topics; these are: integrity and high ethical standards; mutual openness, honesty, trust and support; respect; and diversity leadership (AstraZeneca 2006). The mining company BHP Billiton sees employee welfare and its responsibility as coming from a social contract in which it is allowed to operate in exchange for compliance with national

and international laws, and good relations with the communities they are operating in. 'For society to grant us our "licence to operate", we must demonstrate to our host communities and governments that we can, and will, protect the value of their environmental and social resources and that they will share in our business success' (BHP 2007).

Overall, the ideals for employee welfare in British companies have become aligned with the global values of being a good employer and good corporate citizen that are also held by German companies (Andriof and McIntosh 2001; Backhaus-Maul et al. 2008; Thompson 2005). Corporate social responsibilities are generally all those that are not primarily business activities, such as employee welfare but also environmental or volunteering programs. Like BHP Billiton, companies seek to attain and retain a license to operate within the community by the implementation of sustainable behaviour. The German car maker Daimler cites the general sustainability concept published by the Brundtland commission in 1987 (Daimler 2007). Others, like British Land and Whitbread provide more specific definitions of CSR concerning employees, governance, climate protection, community, pricing, supply chain, and demographic chains (British Land 2006; Whitbread 2005). In comparison, CSR and paternalism have in common that they place employee welfare in relation to the business operations and focus on improving labour and production processes through welfare benefits. They differ in that the initial differences in the past have become aligned to a shared script of doing good and talking about it, in order to present themselves as an employer of choice that adheres to the existing societal values of sustainability.

As in Germany, benefits in British companies split into core and peripheral ones. Both Rowntree and Cadbury built and ran company villages around their factories in York and Birmingham respectively. New Earswick, the company town established around 1900, near York, emerged from Rowntree's interest in the betterment of the poor, and working classes, of England (Rowntree 1902, 1937). Cadbury also provided housing around his factory to allow workers decent living conditions while at the same time the company rented out allotments to the workers (Cadbury 1912: 242). The two housing projects were initiated to provide acceptable living conditions to employees, including educational and leisure facilities such as a library and a book club or care and sports classes for employee's children (Vernon 1958: 94 and 147–149). They filled a gap in the governmental system, which could not provide adequate facilities for the size needed by factory production.

The other core benefit is healthcare. Cadbury provided it and supplemented it with sick pay in 1903. It was free for workers and paid for

all treatment expenses as well as funeral expenses in case of death (Cadbury 1912: 186–189). As part of the scheme, Cadbury employed medical doctors and nurses, who provided health care to employees and families, and operated a convalescent home (Cadbury 1912: 98). Before the creation of the governmental National Health Service, such a health scheme was unique in its scope but common in its localness (Webster 2002). That the scheme addressed a gap and was not meant to be a substitute for a governmental system altogether became evident when it was withdrawn in 1913 following the creation of the first governmental health scheme. What remained was a provision for old age that took the form of an occupational pension and was created by both Rowntree and Cadbury in 1906 (Cadbury 1912: 166–171; Vernon 1958: 115, detailed description 166–170).

In addition, Cadbury set up schooling for children, and voluntary vocational training for adults in order to improve the intellectual abilities of its workers. Course content ranged from general education to business studies and languages; if a particular student wanted to proceed to further, non-vocational, education, Cadbury provided financial aid, and thus, higher education was less class-confined (Cadbury 1912: 25). Cadbury also supported a clerks' social club, a foremen's club, a photography club, a musical society, the Bournville Women Workers Social Service League, an annual gathering of employees at the end of each June, libraries, a magazine, the exhibition of employees handicrafts, allotments, and summer holiday breaks (Cadbury 1912: 222–242). Cadbury, in cooperation with railroad companies, organised the summer vacations as packages and sold them at reduced rates to his employees, some of those packages also being for one or two day excursions. Such company vacation services were not uncommon, like at Karstadt in Germany, and railroad companies too profited from reduced fares through higher utilisation of their rolling stock (Gourvish 1972; Jeans 1974; Lenz 1995: 100 and *passim*).

More than hundred years later, Cadbury is still engaging in health services for its employees but the focus is entirely on advice rather than actual care, reaffirming the central role of the NHS; there are courses on healthy dieting, how to keep fit, or drinking and smoking responsibly (CadburySchweppes 2006). In other companies, financial benefits play a central role such as at Intercontinental Hotels or Rolls Royce, and the latter wants to offer 'competitive pay and benefits for employees in each locality' (InterContinental Hotels 2007; Rolls Royce 2007). In the case of British Airways, the intention is to share the profits with its employees (BA 2007). The company hopes to improve the industrial relations with its employees, which gives better participatory rights to

them and guarantees BA less industrial conflict. In the wake of the cabin crew dispute in January 2007, BA has 'entered into new arrangements with our Trade Unions to improve our working relationships. Ahead of our move to Terminal 5 we have made good progress on changes to working practices' (BA 2007). These changes did not prevent employees from going on strike some months later.

In contrast to German companies, British ones are also concerned with older workers and how they could employ them before and after retirement. At the British company Reuters a first step is being taken by providing employees with the opportunity to engage in voluntary work. 'In 2006, over 3,000 employees from 58 locations participated, sharing their skills on projects ranging from hosted school visits, training workshops for community groups and fundraising work' (Reuters 2007). At BP, older workers are retained as experts in particular fields that can provide training and on-site help to young workers or participate in innovation research. 'We have set up a system to co-ordinate consultancy and other contributions by engineers who have retired from full-time work. The system consists of four elements: the "alumni", or retired engineers; a database recording their skills; an agency to arrange staff placements; and a project consultancy through which engineers work. We hope to build the skills database to include around 1,000 individuals during 2006' (BP 2005).

5 Discussion

Employee welfare has existed in companies at least since the onset of mass employment in the nineteenth century. British and German companies used a variety of benefits to improve the working conditions of their employees, and cited several reasons for expanding the employment relationship beyond its legal, fiscal, and administrative elements. Three discussion points emerge from these empirical examples, summarised in the table below: first, corporate owners and later corporate strategy employ an ideal of the employment relationship, in which welfare is a vital element. In addition to the exchange of labour versus wage, the relationship contains assumptions about the well-being of employees and how providing good employment can increase a company's reputation and productivity. Second, like Titmuss's concept of occupational welfare, employee welfare is indeed embedded into a distinctive business operation and follows considerations of profits and labour processes; the aim of employee welfare is the strengthening of the workforce within a commoditised context. Third, the examples provided a clear link with governmental welfare through similar discourses and benefits. In all

examples, companies reflected the prevailing political and social conditions of their time while employee welfare benefits are comparable across a range of aspects, mostly housing, health, pensions, and education. However, as Shire and Tünte argue in Chapter 10 of this book, there might be temporary mismatches between developments in employment forms, which produce new social risks, and social policies, which address those risks, particularly if government welfare arrangements are transforming.

In detail, first, owners in the past and corporate social responsibility reports in the present refer to a number of ideals that drive employee welfare in the employment relationship. On the one hand, Cadbury and Rowntree saw the employment relationship as a cooperation between employer and employee to the benefit of the community. This ideal partially reflected their religious background as Quakers. In addition, the owners had secondary influences through aims for improving the situation of the working class, like Rowntree, and an early scientific approach to select and develop employees, like Cadbury. These ideals reflected moralistic Victorian ideals and industrial production, and employee welfare was a means to them to achieve cooperation while improving their employees in and outside work. On the other hand, Krupp and Zeiss employed a political reasoning in their welfare activities; however, while Krupp installed himself as the company's absolute authority in the fashion of conservative political circles, Zeiss and Abbe recreated a cooperative relationship modelled after a pre-industrial form of employment and progressive politics. In both cases, employee welfare was meant to cement these ideals and to some extent, reaffirm the existing order and bring about necessary change through democratic channels. In the present, the differences are less pronounced between German and British companies. Corporate social responsibility has brought about a level of uniformity between companies. Ideals for employee welfare are reputational and risk concerns, in which welfare is used to improve working conditions and avoid interferences of employee matters with financial business operations. In the examples cited, the employment relationship was always part of a wider set of CSR activities and their aim was to improve the outcomes for workers but also for the company as a whole.

Particularly this last point of employee welfare hints to the second point of discussion. Employee welfare has always been shaped by business operations and has hardly followed considerations of decommmodification like the development of governmental welfare. Despite their cooperative intentions or socially progressive policies, companies in the past saw the ultimate purpose of employee welfare in strengthening the company's business situation. Krupp asked his employees to contribute to

the common good through work or would consider withdrawing welfare or firing the employee; for Cadbury, employees should appreciate the opportunity of working at the factory and submit to the labour process; Rowntree expected employees to be industrious or leave to company in order not to waste the other's time; and Zeiss and Abbe wanted to preserve the idea of craft in the business. In the present, employee welfare comes second after the responsibilities to shareholders. Social responsibilities are only pursued if the company is in financial health.

Third, there are differences between British and German companies regarding the relationship of employee welfare with governmental welfare. In the beginning, most companies in the two countries used employee welfare to provide benefits in the absence of a governmental system. However, when the welfare state was fully implemented in the 1940s and 1950s, it fundamentally altered the relationship between employee and governmental welfare. The British welfare system is universal in some areas but relies on occupational provisions in others, particularly pensions or skills acquisition. Therefore, British employee welfare continues to fulfil a substituting role while it provides finance to the governmental welfare system. In contrast, the German welfare system relies on a variety of actors to provide welfare services despite the central organisations through the state. Companies can organise their own health insurances

Table 8.1 Changes in employee welfare

Dimensions	Germany	UK
Paternalistic past business histories	<ul style="list-style-type: none"> – Paternalism, politics, and civil society – Employer as political leader or facilitator in company – In result, retaining and maintaining the social structure 	<ul style="list-style-type: none"> – Morals, religion, and scientific management – Employer as cooperative authority and industrial peace maker – In result, welfare for the deserving and correcting the undeserving
Welfare benefits	Housing, health, pensions, education, leisure time	
Socially responsible present – CSR reports	<ul style="list-style-type: none"> – Good employment and global values – Employer of choice and legitimate company – Welfare partner 	<ul style="list-style-type: none"> – Good employment and global values – Employer of choice and legitimate company – Welfare actor
Welfare benefits	Health, pensions, profit participation, representation, education, corporate citizenship	

Source: Author's composition.

and participate in the vocational training system while the state organises the pension system and coordinates health and other benefits.

Given this relevance of employee welfare in the employment relationship and the general welfare system, a question remains concerning possible regime variation of employee welfare. The conclusion from this chapter is that variation is the result of the linkage of employee welfare with the ideals and institutional framework it is embedded in. The different ideals stem from the different societal values and norms that were held in the past; in the present, societal value variations are less frequent and have been replaced by a situation in which companies increasingly follow a global script of legitimacy and accountability (Drori, Meyer, and Hwang 2006). Institutional frameworks produce variation across the countries and companies in the form of industrial relations. In Germany it developed in a tripartite system, in which companies, employees, their collective representatives and the state negotiate participation, employment rights, and working conditions. This frames employee welfare in a more regulatory way than it does in Britain where industrial relations take place on a local level with only minor influences from the national one.

One of the greatest changes in employee welfare is arguably caused by the development of the welfare state in both countries. In the past, states had not yet fully formulated or implemented their welfare systems. Although there were early governmental welfare schemes, they first covered certain parts of the population and only provided a low level of benefits. Welfare states only really expanded after World War II and provided either universal benefits as in Britain or contributions based benefits as in Germany. Traditional employee welfare benefits like housing and schooling lost the importance for companies because these areas were now covered by states; instead representation, occupational benefits, and vocational training received more prominence. Their increased importance has been supported by a rise of soft human resource management, in which employee welfare can act as rewards for employees and factor in improving labour processes generally.

On the other hand, similarity is produced by the functional equivalence of the systems involved (Luhmann 2005b). Regardless their actual appearance, businesses in Germany and Britain have the same systemic operations, making a profit (Luhmann 1994, 2005a: 256–290), which leads to the similarity of welfare benefits across countries and sectors. Although it could be expected that benefits differ between these determinants, the examples showed that there is a limited range of employee welfare benefits. In both countries and elsewhere, employee welfare

comes after the actual business operations and is placed in support rather than substitution of these. Notwithstanding CSR discourses, employee welfare should be cost neutral and beneficial to core business operations and it hardly matters whether this is a German or British company. Such distinctions may only affect the ways in which the systemic operation is carried out, such as under the ideal of a social market economy in Germany or liberal economy in Britain.

6 Conclusion

Employee welfare in Britain and Germany comprises benefits that range from housing to education to health and to collective representation. A similar range can be found in governmental welfare systems, which aim to resolve states of dependencies. The ideals behind employee welfare varied from political to social to moral justifications, which by and large reflected the prevailing societal conditions too. In the beginning, welfare benefits were provided to enable industrial production or continue existing ideas about the conduct of personal relationships; this affected employees and their families. Although the state began to govern industrial relations and create the first welfare benefits, companies did not want to rely solely on governmental provisions and undertook their own actions, even if they were in cooperation with the state such as the health insurance system in Germany. Over time, the state certainly cemented its central role in both welfare regimes but companies retained their focus on social responsibilities, which are now embedded in a global context and have become common. Following the profit motive, employee welfare has become an important element in companies' operations and is regarded as a tool to improve the reputation and industrial relations with its employees – the same intention as more than 100 years earlier. This shows the different nature of employee welfare, which takes place within a defined business setting in contrast to the clear political context of the welfare state.

The chapter has shown how macro political economy considerations are reflected in the workplace. Krupp and Zeiss had a strong political element in their ideals while Cadbury and Rowntree emphasised virtue and moral conduct that were prominent in Wilhelmenian and Victorian society respectively. Moreover, the employee welfare activities also highlight the practical translation of macroeconomic conditions into workplace interactions. Companies see the market as a place for business transactions but find employees as requiring some sort of coordination. At the same time, companies do not aim to break up the cash nexus and

give up their profit motive; employee welfare takes place in the context of other responsibilities and is continuously evaluated for its viability as the case of health care in the past at Cadbury and the reform of defined benefit pension schemes signify.

Notes

This chapter is based, in parts, on my PhD thesis.

1. Other companies also established corporate orchestras, which are partially still playing, like SAP, Bayer or Ford Germany; see Laugwitz, B. (2007) *“Von der Werksbank ans Notenpult” – Sinfonische Werksorchester in Deutschland* Berlin, Deutschlandradio Kultur (Transcript of Broadcast).

9

Multinationals of Industrial Co-development: Co-creating New Institutions of Economic Development

Peer Hull Kristensen and Maja Lotz

1 The fighting chance for a new form of global co-development

Over the last decades original equipment manufacturers (OEMs) in highly developed countries have been off-shoring production to low-wage countries to achieve cost-advantages to the effect that dominating global value chains (DGVC) have emerged. As this leads to huge layoffs of employees in Western economies, many interest groups have joined forces and engaged in taking new forms of action, generating social and organisational innovations. At first the concentration of headquarters of large multinationals (LMNCs) in the First World seemed to promise that they could evolve towards knowledge societies. This expectation followed from the belief that only large corporations of developed countries were able to finance R&D labs large enough to turn out new products, if supported sufficiently by basic research institutions (Kristensen 2010). However, the increasing attempts to upgrade industry in emerging economies have gradually undermined this vision of future co-development. Many low cost countries imitate the highly developed by investing in R&D and higher education so that they might be allocated advanced tasks and innovative projects within existing DGVCs. This evolution is diffusing fast to BRIC-countries. Furthermore, Western small- and medium-sized enterprises (SMEs) that used to supply repetitive components for the large OEMs have become much more innovative. Innovation in some developed countries has shifted from domination by LMNCs to

dispersal across all firm sizes, collaborating mutually in open innovation or networked innovation systems (NeIS) (Chesbrough 2007). Whereas formerly LMNCs of the advanced countries secured their future position by being first or early movers in new technologies, today even LMNCs, for example IBM, must become part of global networks to be able to compete with multiple actors, follow technological advances, and to adapt their own role and business model to the roles to which other network-participants aspire (Herrigel 2010). The shift away from innovation by LMNCs to networked innovation systems (NeIS) challenges the existing or aspired for growth and development regimes (GDRs) of advanced countries. This raises a swarm of organisational problems for firms and public institutions, and the solutions to these are crucial for building new growth and development regimes (NGDRs). Therefore, we are witnessing waves of local experimental organisational and institutional changes to cope with these problems.

At the global level, one phenomenon is of particular interest. By following the LMNC's foreign expansion, innovative SMEs have become 'new' or small multinationals (SMNCs) and thus created an organisational phenomenon long held by business economists to be economically fragile (Kristensen and Zeitlin 2005). Denmark is illustrative. While it was a latecomer in forming multinationals, the 1990s saw an upsurge in both inbound and outbound foreign direct investment (FDI) driven to a high degree by SMEs becoming or forming subsidiaries. By 2002 775 Danish business firms had at least one subsidiary in a foreign country. Ninety per cent were SMNCs (less than 650 employees), employing 34 per cent of Danish employees, while the 78 MNCs with more than 650 employees employed 21 per cent of employees (Eriksson et al. 2006: 62).

For SMNCs to stay alive it is decisive that they become tied into innovative relations with a multiplicity of customers globally, can cooperate with other firms, and that they can benefit from the innovative processes of their home economies. Without the latter their size would limit their ability to do the first. In this way their very existence is an expression of the new processes of innovation, and their more or less successful growth pattern serves as a seismograph for how well the home country innovation system enable them to function. As we shall show, their emergence is to a high extent dependent on solving a heterogeneous set of organisational problems in both the private and public sector. Thus we see SMNCs as a social innovation that serves as 'hosts of interactive influences' for the NGDRs, in the same way as Weberian 'bureaucracy' did for the industrial society (Kalberg 1994) – calling for a different institutional foundation for the new development regimes.

Mostly, economists have seen institutions as restricting free choice, the optimal working of free markets and limiting economic vitality. Alternatively institutions may be assessed for how well they serve as enablers for economic development, for instance in enabling new innovative processes. The changing dynamic between the private and public sector, in part catalysed by the Third sector, may produce social innovations that in turn create the foundations for firms to create new innovative business models that make it possible for co-development between developed and emerging economies to take place.

A case in point is the Nordic countries. To explain the successful evolution of the Nordic countries up to the 2008 crisis, Kristensen and Lilja (2011) studied how firms and national institutions interacted in searching for new roles globally, and found to their surprise that firms and institutions interacted in a mutual chain of enablers that may be broadly summarised in the following way: Nordic welfare institutions enable workers, including marginal groups, to constantly search for new skills, whereby they become included to a greater extent than in most other countries in the constant redefinition of job-roles and professional identities that take place in firms operating within NeIS. This enables firms to decentralise responsibilities to operative levels, making possible new forms of learning organisations in which responsibility, discretion, and control rest in the hands of workers who take part in operation-design, planning, continuous improvement, and even innovation of new services and products. The legacy of industrial relations (unions, work councils, convenors, and shop stewards) underpin a culture of negotiating that enables such organisations to frequently shift between states of continuous improvement and of innovation, and to combine and recombine organisational elements to deal with shifting and varying customer demands. This in turn enables firms to survive under shifting performance criteria and yet to develop a coherent business model, where they develop products and services collaborating very closely with customers on making endogenous continuous improvements and innovation in customer organisations. Searching globally for increasingly sophisticated customers enables Nordic firms to become increasingly well-integrated and well positioned in global NeIS. This enables them to create a new, cheap form of SMNCs that takes advantage of a constant flow of challenges for innovation and improvement. Furthermore, this also pushes welfare institutions to supply advanced services and demand advanced new products and services. Thus in many respects Nordic countries have progressed far towards a NGDR.

Their firms become SMNCs by supplying products (e.g. speciality tools, hospital equipment) and then developing services to continuously improve a particular business area (e.g. the entire tool-managing system of a customer firm or a hospital's acute section) for a multiplicity of costumers globally. In this process they accumulate comparative knowledge of how to solve problems so they can create a codex of best practices and refine this codex to ever increasing levels. In this way the SMNC is able to move gradually up to servicing the most demanding customers and to identify complementary products that may be useful in performing its tasks, thereby establishing a global network of suppliers that can assist the firm in fulfilling its role. This process also results in the creation of a global value chain, but one that is radically different from the DGVC, which it serves, because partners are more equal and depend collectively on the network's capability for innovation. Such NeISs operate by a distinct logic and dynamic but within the frames of DGVCs. The pressure, for instance, on DGVCs to reduce costs and continuously improve determines the demand on such NeIS and the need for innovation along the chain of enablers mentioned above.

Our expectation is that these SMNCs in a multiplicity of different ways will shape the new growth of developed economies. Because DGVCs, which are organised from every EU country by LMNCs in need of cost reductions and cheap innovation, may undergo restructurings that undermine past comparative advantages, sets of SMNC are emerging that are organising very different set(s) of Alternative NeISs (ANeISs) that are embedded in distinct national chains of enablers, structuring the interaction between institutions and organisations in ways that provoke more or less intensive nation-wide demand for and supply of innovative processes. They become important because sets of SMNCs operating in sets of ANeIS and triggering innovation in national chain of enablers constitute 'search-machines' for identifying future comparative advantages of nations (Rodrik 2007) and are therefore important for forming NGDRs.

The Nordic SMNCs and NeIS are extreme cases as they engage in direct improvements of customer organisations. Suppliers that engage in collaborative innovation with LMNCs within a DGVC are the more typical case. They will become a SMNC first by following the OEM in global expansion as it needs to operate in tight contact with the OEM's foreign subsidiaries. This often broadens its scope to new customer firms. Many suppliers of auto-parts to German car producers have followed this pattern, but we also see both Italian and Spanish cases of growth of firms that have developed a capacity to deliver products after the special

wishes of customer firms (Colli, Garcia-Carnal, and Guillén 2012: 11ff.; Guillén and Garcia-Canal 2010: chapter 5). If the services and products of such firms are highly sophisticated, limited internal resources force it to form NeIS with other innovative SMEs, and the vitality of their NeIS is dependent on the innovativeness of the national chains of enablers that it brings together.

The phenomenon of SMNC growth is thus not limited to the traditionally advanced Nordic countries. For instance, both Spain and Italy have seen an explosive growth of multinationals (*ibid.*). In Italy the number of manufacturing firms controlling income-generating assets abroad has increased by a factor of ten since the mid-1980s (*ibid.*: 4). A recent study of the historical evolution of Italian multinationals (Berta and Onida 2011) finds causes for why Italy was first a latecomer in generating multinationals, then lost much of what had been achieved up to the 1990s in terms of medium- and large-MNCs, while simultaneously entering a process of SMNC growth after 1985.

The organisation of work, the form of organisational networks and the interacting national institutional complexes are deeply interdependent. This also suggests that the employer welfarism described by Behling in the previous chapter will come under increasing pressure as networks rather than large firms become the crucial organisational units.

In Denmark, the transformation of work went along with changes in how firms made use of welfare institutions. The change towards highly decentralised forms of learning and forms of work organisation, which happened primarily in small European welfare states (Lorenz and Valeyre 2007), took form in Denmark by the 1980s through a number of local experiments by which local union activists and managers worked together in reforming both workplaces, curricula of further training in vocational institutions, and by making welfare institutions work in tandem with this upskilling process. By the 1990s, the Social Democratic led government turned this pattern into a general one through their active labour market policy that made Denmark number one in terms of further training (Torfing 2004).

We have studied these simultaneous transformations from the focus of numerous firms in different regions (see Kristensen and Høpner 1994; Kristensen and Zeitlin 2005: chapter 3; Kristensen, Lotz and Rocha 2011; Lotz 2009; Kristensen and Lotz 2011) and seen the coming of a production regime in which employees take more of a part in planning and execution, engage in continuous improvement and participate in innovation projects. Organisations take many different forms, but generally employees become hosted in operative teams, circulate frequently to

other operative teams, take part in sets of continuous improvement teams working across the operative teams and are called to be involved in ad hoc innovation teams, often to find solutions to distinct customer problems. As employees circulate and recombine in this variety of teams they unfold learning circles that gradually upgrade the capacity of all teams' ability to serve external customers.

However, working in such an environment is very demanding as employees never know how long or where in the world they will be working. Therefore, these arrangements need to be supported through further training to upgrade skills or by helping a supplier make improvements across the NeIS. Work is unpredictable and makes employees heavily dependent on social services (child- and elderly-care, support for families in case of trouble) together with training facilities. Only by providing the highly developed sets of public services that make the Nordic welfare states distinct is it possible for two adults to pursue a career in such a working environment and combine it with a family life. But it is only because this enables workers at the lower hierarchical levels to take part in global operations, that it is possible for SMNCs to expand their global operations in an inexpensive way. In this way they are an expression of the co-development of a reformed welfare state and globalisation.

On the other hand, the very composition of such SMNCs makes them ideal agencies of co-development with emerging economies. By solving a multiplicity of advanced problems for LMNCs and institutions of the highly developed countries, they possess a knowledge base that is very useful for industrial upgrading and for socio-economic development, and they are dependent on selling this knowledge to any economy that discovers the usefulness of their products and services.

We don't foresee an evolution towards such a global co-development regime, where SMNCs play a crucial role, to be straightforward and easy. Innovative SMNCs are, for several reasons, unstable figurations that must overcome organisational dilemmas, as we shall see. However, they are also very fragile under a global economy characterised by volatility and frequent shifts between booms and depressions. Some of the cases we have studied suffer from lack of financial resources and stability. This is true both during expansions, for example the toolmaker mentioned above could not grow fast enough to engage with the number of customers who wanted their services before the 2008 financial crisis, and during depressions, where LMNCs tend to reserve their tasks of innovation and continuous improvement for their internal staff. Under such conditions, markets might simply collapse for innovative SMNCs,

as happened after 2008 for the same toolmaker who was unable to grow fast enough to meet demand before the crisis.

For that reason, we have observed, many SMNCs are being taken over by LMNCs. This could of course lead to the creation of new forms of MNCs composed by whole sub-groups of SMNCs that could be managed as a new type of associative MNC. However, reflecting on one of our former case-studies of MNCs (Kristensen and Zeitlin 2005) in this light, leads us to believe that in years to come, MNC headquarters will not easily learn how to manage such associations of innovative SMNCs.

For this reason we think that the progress of innovative SMNCs is dependent on how they learn to solve internal organisational challenges, and whether and how they can be sustained by enabling institutions in host and home countries. In the next section we deal with the internal organisational problem, while the final section takes a look at contextual factors necessary for creating the NGDR.

2 Organising innovative SMNCs

In a study of Israeli SMNC high-tech service-providers, Hashai (2011: 348) found a curvilinear inverse U-shaped relationship between the level of firms' technological knowledge and their extent of foreign services provision, meaning that service providers with limited technological knowledge as well as service providers with excess technological knowledge are likely to be less internationalised. This observation means that a SMNC seems to run into the paradox that by becoming increasingly technologically sophisticated, their services become too costly to transfer abroad (see also Martin and Salomon 2003). Hashai's solution to this problem is that the SMNCs should 'standardize their technological knowledge (by means of documentation) and/or automate it (by means of specialized software and computer communication devices)' (ibid.).

In our field studies among SMNCs we have encountered parallel problems, maybe in a more extreme form and perhaps calling for more sophisticated solutions than the one suggested by Hashai. The Danish SMNCs we have investigated have decentralised continuous improvement and innovation to an extreme degree to primary (operative), secondary (improvement) and tertiary (innovative) ad hoc teams (Kristensen and Lotz 2011). Their ability to recombine and find novel innovative solutions has been fundamental to their ability to move from providing only products to combine these with individualised services for customer organisations. Furthermore, this has been enabled by their

capability to follow customers to foreign countries and engage there with an increasing number of sub-contractors who deliver more standardised products and service components to complement their own customised products and services. Following their customers abroad and finding an increasing number of, and perhaps more sophisticated, foreign customers has brought them into a virtuous circle of co-creation and innovation. By solving problems and investigating existing solutions for multiple customers, the SMNCs engage in cumulative learning as, in principle, solutions to problems found by one customer increases the worth of the SMNC for future customers.

However, as the learning takes place in decentralised and often local teams with shifting relations to the mother firm, it is highly arbitrary what kind of learning from foreign co-creation moves from one space and situation to the larger body of the total organisation. Some of our case-firms have experienced that decentralised ad hoc teams have solved problems by suggesting solutions that for others in the organisation seemed to be much less than best practice. In all our case studies it was a constant challenge to diffuse through the secondary (improvement) teams what was learned in one location of the organisation to other organisational spaces. The paradox that such organisations experience is that they have, by disintegrating the organisation and decentralising responsibilities, gained enormously in capacity for innovation and improvements by having teams recombine and co-create innovations along a multiplicity of dimensions. However, they also risk both inventing the same wheel several times over and inventing wheels of a lower quality than previously, thereby potentially undermining their own reputation and ability to move from less to more sophisticated networks of innovation.

Of course, such firms are investing great resources in ICT solutions on how to accumulate the learning and knowledge that they gain. But it is also quite obvious at this stage that they struggle with a much more pervasive problem of coordination than previous forms of organisation have had. Previously it was the coordinating capability of the hierarchical line, often through a technical staff devoted to developing new methods and practices, that was thought to implement best-practice solutions. Melville Dalton (1959) was one of the first to cast doubt on how well this organisational configuration functioned. Today it is clear that this problem of diffusing improvements and innovations and implementing best practices has grown in magnitude with firms operating in a multipolar form, leading to calls for solutions that we are only starting to imagine through such concepts as 'learning by monitoring',

root cause analysis, simultaneous engineering, and so on (Sabel 2006; Helper et al. 2000).

In all the SMNCs that we investigated, this problem was fairly new and had just begun to be recognised among managers. In many instances they tried to solve it by quite informal and temporary solutions. In all cases, these involved quite significant shifts not only in organisational structure but in the everyday practices of work. One way was to let highly experienced employees circulate among different job-places and localities of the SMNC and diffuse best practices by having them teach the teams that they visited. Another practice was to let people teach each other during informal classes and/or let employees have more than one job in one place, so that each team would have members who knew about the practices of other teams, and in this way the firm let each team accumulate a much broader knowledge of practices of the entire SMNC. Often these informal and temporary forms of knowledge-sharing were seen as more effective than building databases of standardised best practices because these forms of interactions made it possible to learn best practices while simultaneously improving and innovating them, placing relations among employees at the centre of new organisational practices. Hashai's solution seems primarily to 'capture' standardisation and routinisation, but what is called for is organisational procedures and mechanisms that create and set standards as a means for systematic continuous innovation and improvement. These imply a close integration between such standard-setting mechanisms and the kinds of interactive learning relations outlined above, blurring the lines between bureaucracy and networks in workplace practice.

If work process relationships are changed, so are power relations. It is a classical tenet in organisation theory that different groupings, departments, and hierarchical levels hoard knowledge to protect themselves and to keep possible organisational opponents in a state of uncertainty (Crozier 1964; Crozier and Friedberg 1980). This is a phenomenon that has been re-observed recently, even in the context of the Danish national business system notorious for flat hierarchies and decentralisation of autonomy (Michailova and Minbaeva 2012: 67). The creation of a multipolar learning, coordination, and governance system will thus always be introduced into an organisational framework in which mutual games of positioning, struggle for power, careers, blame, and construction of narratives and phantom communities (Athens 2007) take place simultaneously – to a smaller or larger extent.

As Shire and Tunte's chapter (this volume) suggests, there may be significant tensions between 'knowledge work' relationships and

externalised labour markets. To engineer an organisational setting that promotes knowledge sharing is therefore neither easily nor effectively sustained by normal tools of extrinsic rewards (Bock et al. 2005: 98):

Contrary to commonly accepted practices associated with knowledge management initiatives, a felt need for extrinsic rewards may very well hinder – rather than promote – the development of favorable attitudes toward knowledge sharing.

Instead it seems as if an organisation has to undergo what might in many cases be a cultural revolution, as knowledge sharing entrepreneurs should:

First, emphasize efforts to nurture the targeted social relationships and interpersonal interactions of employees before launching knowledge sharing initiatives. In particular fostering a work context characterized by high levels of organizational citizenship is likely to nurture the mutual social exchange relationships that are apparently important in driving knowledge sharing intentions. Second, actively support the formations and maturation of robust referent communities within the workplace. In particular, be sure to provide appropriate feedback to employees engaged in (or not engaged in) knowledge sharing. (ibid.: 101)

A number of authors have argued that in order to achieve knowledge sharing, multiunit organisations should build on the interactive communication that is already going on within the ‘communities of practices’ that are populating organisations. Knowledge sharing is therefore in many respects a question of turning tacit into codified knowledge that can be processed as information so that informal communities of practices may become visible and can communicate and engage in mutual learning across organisational units. However by codifying tacit knowledge and formalising informal networks, new formal group constellations and divides may emerge that in turn make it more difficult to integrate, coordinate, and learn across diverse communities of practice than it was previously, when the informal groups did not see individuals of alien communities as potential threats in the internal struggle over organisational resources and positions.

In particular, during transitions from an old to a new way of assembling communities of practice, the two routes may counteract each other and create tensions that could have long term effects. A project-manager who

has the ability to assemble a team from her extensive informal network as a project gradually runs into visible problems, may undermine or be undermined by project-managers that follow the more formalised procedure of assembling a community of practice. In an organisational frame in which careers are dependent on metrics of performance, this could easily lead to the promotion of the wrong project-managers, for example those who pursue their interests at the risk of undermining the community which is being prepared for knowledge sharing.

Instead of building an up-to-date knowledge sharing system in an organic way based on informal groups hosting tacit knowledge, it has been suggested that multinationals rather build knowledge sharing systems that reflect their current contingencies. Global MNCs with high degrees of global integration and low local responsiveness create hierarchical systems where headquarters act as senders and subsidiaries as receivers of knowledge. Multidomestic MNCs with low global integration and high local responsiveness should create best practice systems by sharing knowledge between subsidiaries in a social learning mode. Finally, transnational MNCs with high global integration and high local responsiveness create self-organising learning, from the bottom up – especially by recycling knowledge gained in previous projects, according to Kasper et al. (2012). Obviously, such a divergent set of ways of organising would make different host countries ideal for setting up different kinds of subsidiaries. Workers already working under hierarchical authority would easily accommodate to the first and reproduce old habits. What will happen in the two alternative forms is quite unpredictable and will depend on how mutual relations among different groups of workers and the managerial team are constructed. To install the latter two in environments with a habit of hierarchical authority there would have to be a transitional period, where the self-conception of both workers and managers was changed.

Tsai (2002) found that multiunit competition within MNCs makes it very difficult, if not impossible, to organise knowledge sharing among units in such organisational forms as represented by the multidomestic and the transnational form. It is much easier to create bonds of knowledge sharing among firms competing over the same market, probably because the opposing communities of practices at the market sphere are much more similar than those opposing each other within the MNC (Kristensen, 2015). Furthermore, those within the MNC are not only competing on market shares but are also engaged in political manoeuvring over mandates, positions, and resources towards headquarters of the MNC.

There is thus not a single set of simple solutions, but rather current practices tend to move different kinds of industries to different solutions. Thus Kasper et al. found (*ibid.*: 7ff.) that while high-tech-firms that served customers with a standardised product could centralise knowledge and diffuse it down the hierarchy to other subsidiaries as they chose, organisations within industrial materials that had been constructed by mergers adopted a combination of a formal system, benchmarking best practices according to financial performance of subsidiaries, and a personalised transfer of best practices in process technology, promoted through the formation of networks. The latter cases seemingly (from Kasper et al.'s citation of subsidiary responses) produce the same games which Kristensen and Zeitlin (2005) encountered in their study, where opportunistic games determine which information is disclosed and often lead to the hiding of substantial knowledge that provides a subsidiary with a competitive edge compared with other subsidiaries. Kasper et al.'s management consultancy cases (those closest to ours in the Nordic Study, Kristensen and Lilja 2011), had to be very local in their orientation but had tried to promote integration both by setting up IT-systems and by the formation of communities of practices:

Yet at both companies, for all the formal efforts at promoting the sharing of technical knowledge (through IT-systems) and personal knowledge (through organized communities of practice), interviewees consistently considered knowledge to flow more through informal channels. In sum, management encouraged knowledge sharing in official ways, yet in practice these MNCs relied on decentralized, 'self-organizing' behavior to share knowledge. (*ibid.*)

Thus despite the growing interest in knowledge sharing that has diffused among the scholarly community of international business in recent years, it has not been easy to come up with cases that demonstrate how and under which conditions learning can take place in a multipolar system of learning, where it is within the individual units and not the central apex where learning takes place.

As we think that the ability to co-create, innovate, improve, and learn on top of extant best practices is the obvious solution to forming effective forms of SMNCs that can capture advanced positions in advanced NeIS, we have searched for generic solutions to this problem among larger and advanced forms of MNCs. These solutions are not only of interest to forming effective SMNCs but they are simultaneously also the procedures and micro-mechanisms by which co-development between

subsidiaries in different countries and between firms and suppliers make interactive learning more systematic.

First, we have investigated from this perspective a pharmaceutical company which has in the past decentralised competencies to operative levels and gained the benefits of fast continuous improvements, but only to discover that they were at risk of developing very diverse local practices, which could turn out to be very risky as a scandal evoked by one of their subsidiaries could harm the entire reputation of the whole company. For them the challenge was to institutionalise a procedure so that potential problems in production could be diagnosed, best practices be established and diffused and in this way create a new level of codified practices on which monitored improvements could happen on a wide basis among subsidiaries. The procedures they have installed are highly inspired by lean-principles and Toyota-practices and consist of a seven-step cycle:

1. Have a system that detects and registers errors, near accidents, and failures early.
2. Have procedures for making root-cause analysis that can diagnose where problems are located, what is their cause and composition.
3. Have procedures for developing better practices to eliminate the problems and their causes.
4. Solutions are codified in the form of standard operating procedures and are stored in a cook-book of best practices for the company.
5. A scheme for systematic training of operatives in the new standard operating procedures and managers in how to secure that best practices are followed. During training-operations observations on how training best can be done and checks on whether the codification of best practices are understandable, may lead to improvements in best practices, revision of the cookbook of best-practices and of the training scheme itself. When the cycle of learning has been finished a new level of best practices as a base for further improvements has been established and the role holders of the circular flow are responsible for assessing whether a suggested improvement shall be adopted and implanted by in principle evoking a new circular flow of learning.
6. Diffusion of the new codified best practices to similar or related activities.
7. Finally a system for calibrating the early warning system to the new best practices so it is able to better detect and register errors of the type that is in accordance with the new best practices.

As the pharmaceutical company is a MNC with similar plants in a number of countries and as it had previously decentralised competencies to operatives, particularly the better trained, existing practices were in the main concealed for the staff that became responsible for implementing the above seven-step-cycle. Prioritising such problems that led to errors or near failures in some plants, the MNC could diagnose problems and search for solutions by collecting operatives from the relevant operations across plants from different countries and discussing why some problems occurred in some plants and not in others, then using these explanations to suggest tentative solutions. However, before the training cycles were initiated in the individual plants, the head-quarter would gather together trainers and representative operatives and discuss how solutions had been codified into standard operating procedures and whether these were trainable in different national environments and made sense in the context of the divergent practices previously in place in different countries. In this way nearly each step in the cycle itself became a participatory process of critical reflection and continuous improvement within a cycle of large scale continuous improvement.

The pharmaceutical company sees the unfolding of these cycles as a simultaneous development from a 'firefighting culture' to 'creating an army of scientists' working systematically to improve and innovate on top of best practices – in every field and at every level. We would add that creating this type of organisational figuration goes through a process where the company must detect and codify their own scientific and technological language and create a cumulative understanding of its own universe and its boundaries. At this point in observing the gradual unfolding of the seven-step-cycles it looks as if the MNC has engaged in a vast – close to impossible – task, which is probably only possible with a quite fixed set of operations connected to a pretty stable portfolio of products and within companies that have strong financial resources and are not focused on short term returns.

Yet this kind of systematic codification and improvement of standard operating practices does not only take place in this company, but has simultaneously been initiated in a major Danish bank and a high-tech engineering multinational. All three exchange experience on progress and setbacks.

The second case we have been following is a major Danish MNC within flow engineering. Here our focus has been on how development engineers in Denmark and China organise collaboration so that the two places come up with products that satisfy standards in both places.

A core reference point here is mathematical models that can simulate flow dynamics within or around the product and in the larger environment of which it shall later be a part. With this instrument they can measure and map the performance of any existing product under different environmental conditions, and in this way establish what the characteristics of best practice products are. Using this measure and mapping as a benchmark, they are able to formulate performance targets for the new product that is going to be invented in a coming development project.

By making use of the huge company database of previously designed products, components, parts and steering systems a whole range of sequential and systematic testing can now be entered into the simulation programs to identify and detect which kind of recombination gives the best improvement effects. With this in place, the next step is to take the promising parts, components and steering systems and improve them experimentally – at first as pure virtual designs, next as micro-models of the physical product and finally as full scale products operating under different environmental conditions.

Having observed the interaction between the leader of the Danish innovation department and the R&D staff in China we have been surprised at how well the combination of mathematical models and the systematic product-design-and-testing procedure function in terms of creating a language that makes it possible to collaborate, identify possible problems and unsatisfying elements in the design and simultaneously enables identification of where people should be allocated in order to search for better solutions in the next round.

Obviously, when new solutions have been found, not only can a new product be launched, but the company database will be supplied with new designs of parts, components and steering systems that might enter into the simulations of how future products should also be designed. Failures in the form of unsuccessful designs can also be stored so that unproductive avenues of exploration can be eliminated in the future.

Though neither of the two cases directly speaks to the case of SMNCs combining products with services, they jointly point towards certain organisational procedures and principles, which we as organisational sociologists should be looking for. First, the SMNCs should develop a set of procedures for systematic diagnosis as to what could be the problem in the customer organisation they are serving, be it for example the functioning of tool-management or tools or the survival of patients in acute-sections of hospitals. Second, in relation to these diagnostics, the firms should gradually build an inventory of standard solutions to diagnosed

problems. Finally, the firm should be able to increase its sensibility as to what are the limits of possible standard solutions and then devote resources to further develop products and services that solve the beyond limit problems and live up to targets beyond benchmarks.

In its internal material, the pharmaceutical company describes what it takes to create an army of scientists: (1) employees take responsibility for their own development in relation to the competence matrix; (2) employees contribute to continuous improvement of training; and (3) the trainer drives continuous update of training material and contributes to updates of standard operating procedures. Furthermore, the interaction between different groupings of employees in the organisation takes on a new form of systematic enquiry: (A) challenger meetings focusing on improving action proposals to prevent problems from reoccurring; (B) leaders on a daily basis use problems as an opportunity to train direct reports; (C) process confirmation perceived as training by reports; and (D) leaders train employees in freeing up time to solve problems.

What is being initiated is highly interesting from a governance perspective. Especially since the 1980s financial accounting, financial reporting, formulating means and ends in terms of financial languages and reporting to shareholders and financial institutions has become so dominant that any other development within a company could hardly become visible if unable to translate its impact in terms of financial outcomes. By the learning cycle that is now being codified in cookbooks and made visible by reference to a mathematical model of flow dynamics, a new language is in the making that makes it possible to substantiate progress of practices. This language evolves, grows, and becomes diversified as people are solving problems and finding solutions, and it makes it possible to identify systematically what the new contributions are, who made them and how important they were for a number of organisational entities. It may allow for a similar process at organisation wide levels as the process of appreciative enquiry may enable within a team or between a coach and an employee. In this way active workers may create visible individual identities that make it easier to form horizontal forms of ad hoc communities of practice that are less dependent on the games project-leaders play for self-promotion.

Highly advanced LMNCs, such as the two we have been studying, have only begun a transformation towards such new forms of organising procedures for exploring, storing, and making accumulated knowledge and practices useful for further exploration. For the SMEs the question is whether they can build up such procedures in tandem with their evolutionary transformation into multi-sited multinationals being able to

integrate what is learned from a multiplicity of different situations and contexts.

3 Institutional enablers for developing SMNCs into agencies of co-development

Our discussion has not only suggested some core characteristics which SMNCs must develop in order to be able to act successfully in sustained contingent collaboration (Herrigel 2010) with other agencies of a NeIS, it has also made it much clearer what the Nordic countries' welfare states have let the firms accomplish. For sure, SMNCs of Nordic countries are not even close to operating as 'armies of scientists'. But further training, child- and eldercare and individualised services to help individuals overcome personal barriers have certainly moved them in this direction. It enables employees at different levels to move constantly to do more and more sophisticated operations and to do them under shifting conditions – in terms of deadlines, location, and continuous training.

With the decentralisation of autonomy to operative groupings, firms in Nordic countries have created within each plant a similar governance problem of multipolar learning as the multidomestic multinationals are encountering among its subsidiaries. Simultaneously with this, regulations and certifications (on quality, safety, occupational health, environment, CSR, etc.) have exercised a pressure to install management and monitoring systems that institutionalise a drift towards a pragmatist, scientific attitude to overcoming existing routines. Furthermore, they institutionalise benchmarking of standard operating procedures in such explicit ways that they can become targets of improvements.

Up to now these tendencies have not to our knowledge merged into a new way of organising multipolar learning, but as our study of the Danish pharmaceutical and flow engineering MNCs are demonstrating, experiments in finding such combinations are in the making. We would expect that firms that gradually learn to, and achieve a reputation for, 'moving' this way, become very concerned about risking their reputation when engaging in collaboration with new customers, suppliers, and public organisations. To reduce the risk of hazards they would probably try to push for regulatory practices and certification procedures in foreign countries so that their customers and suppliers operate under similar institutional conditions as the ones that they operate under at home. In a similar way they would probably try to install some of the same cycles and procedures of explicating and improving practices as they have cultivated at home.

By doing so they would also train employees in emerging markets in the capability to learn, to store accumulated knowledge and practices and how to make improvements and innovation as their own progress would depend on their partner-organisations ability to do so. In this way SMNCs could develop to become highly effective agents of co-development. But they would also become sources of formulating new demands to labour markets, public institutions and forms of government regulations that could help them to evolve along these new organisational logics. Without institutions that support and facilitate individuals to take part in these constantly more advanced circles of learning and without forms of regulation that are able to appreciate the progress and innovations being made, such organisational forms will run into barriers that make their progress less promising. The current EU policy of austerity with its pressure to roll back the welfare state, its focus on labour cost-reductions and low interest-rates might place the whole NGDR of the Nordic countries at risk by undermining the institutions supporting SMNCs and their work arrangements.

10

Beyond the Flexibility/Security Divide: Skills, Work Organisation, and External Employment in the German Knowledge-Based Economy

Karen A. Shire and Markus Tünte

Continental European economies share a pattern of employment institutions, characterised by strong employment protections, investments in workforce training, and employment-based inclusion in social security and other welfare protections. In the German economy, as elsewhere, employment protections limiting dismissals constitute a key regulatory mechanism. Dismissal restrictions pose constraints on employment strategies, by blocking the ability of firms to easily adjust employment levels in response to market downturns and uncertainties. In the face of such constraints, firms in protected employment economies like Germany have found alternatives through more flexible use of internal labour markets. Labour market theory has pointed to the benefits of internal employment and the long-term employment relations they imply for reducing transaction costs and moral hazards, especially in skilled work contexts (Marsden 1999). Research on comparative capitalism has viewed employment protections as 'beneficial constraints' (Streeck 1997), since firms are forced to abandon strategies of hiring and firing (numerical flexibility) in favour of training and rotating staff to gain (functional) flexibility. Employment protections and the flexible internal labour markets they create contribute strongly to Germany's successful alignment of strong economic performance with relatively high employment and social security for workers, rendering Germany one of the best cases of the coordinated market variety of capitalism (Hall and Soskice 2001).

Over the past 25 years however, the share of protected employment relations (standard employment) has steadily declined in the face of the expansion of so-called atypical employment contracts. Atypical employment in Germany, which includes part-time, fixed-term, temporary agency, and solo self-employment, has expanded to cover 40 per cent of all employment relations (Keller and Seifert 2013). From the perspective of firm-level employment strategy, all forms of atypical employment allow firms to evade the constraints of dismissals restrictions, and thus seem to signal a return to the pursuit of numerical flexibility. Employment theory suggests that atypical employment is only used by firms where less qualified domains of work (like personal services), or less committed workforces (such as mothers or temporary migrants) minimise transaction costs of market-based over internal labour markets (Marsden 1999). Thus, increases in the demand for less-skilled workers, in relation to automation of work or the expansion of personal and retail service work, as well as the availability of greater numbers of women for employment are common explanations for the expansion of atypical employment. Another set of political-economic explanations drawing more on power relations argue that collective organisation and political influence of industrial trade-unions, who tend to represent the old core of skilled male industrial workers, has prevented a deregulation of dismissals protections, but in return, tolerated the deregulation of atypical employment. The consequence is a dualisation of labour markets, between the old core of well-protected industrial workers and a growing segment of insecure and precarious labour (Palier and Thelen 2010).

The dualisation thesis and labour market theory misrecognise one important dimension of the expansion of atypical work: its increasing use in highly skilled work settings in the new core economy of knowledge-intensive work. We argue in this article, that the increasing specialisation and complexity of work in knowledge-based work settings is transforming the organisation of work in ways which limit the effectiveness of firms to respond to market demands through functionally flexible internal labour markets. We view shifts in the nature of uncertainties faced by firms in knowledge-intensive markets as driving employment strategies to draw increasingly on atypical employment contracts and external rather than internal labour markets. Yet the shift from internal to external sources of flexibility does not signal the growth of a peripheral workforce or a return to numerical flexibility in the new economy, as arguments about the liberalisation and dualisation of labour markets might suggest. Our analysis shows that firms in

knowledge-based industries attempt to integrate external labour in core work processes and to develop longer term relationships, pointing to the interaction and integration of internal and external forms of labour flexibility.

In the first section of this chapter we present evidence of the expansion of atypical employment contracts across a range of knowledge-intensive sectors of work. We draw on the state of sociological research on organisational changes in knowledge-based work settings to understand the limits of the standard employment relationship and internal labour markets in these work contexts. We then examine the relationship between work organisation and flexibility by drawing on empirical research on firm strategies and workers' experience of atypical employment in knowledge-intensive work settings in Germany. The results show that internal labour markets, while present to different degrees within the knowledge-intensive service sector, are not (solely) capable of meeting skill needs and supporting highly specialised work processes. Finally, we analyse the new employment risks associated with atypical contracts and conclude with a discussion of regulatory gaps. Our argument is that employment policy reforms in Germany have continued to orient themselves to protections, which most benefit the old core of skilled industrial workers rather than the new core of high-tech and knowledge service workers.

1 The expansion of atypical employment in the knowledge-based economy

In Germany, as in many continental European economies, industrial production remains a strong part of the economy, growth, and employment, while a growing share of employment and growth shifts to new sectors of knowledge-based service work. The established manufacturing industrial classifications continue to depict the old economy in far more detail than the new. Moreover, some of the high-qualified, high-technology, science and knowledge-based industries are emerging out of the transformation and synthesis of established industries. Examples are the development of Information Technologies (IT) out of Electronics and Telecommunications; New Media out of print, publishing, and entertainment; and bio-technology out of pharmaceuticals. In all cases, the development and application of technological and scientific advances have transformed the nature of work in ways, which make it more specialised and complex. Yet it is difficult to track these changes using established sectoral classifications (such as NACE 2003).

We use a classification of knowledge-intensive services developed by the European Commission in order to better locate the expansion of atypical employment in the German economy (Eurostat 2014). At the two-digit level of industrial classification, and without more specific occupational breakdowns, this classification is limited in how it identifies knowledge-based work activities. An advantage however, is the differentiation of the service sector, allowing for comparisons between knowledge-intensive with traditional and less knowledge-intensive services. The specific industries in the knowledge-intensive services are market-based knowledge services (including business and logistic services), knowledge-intensive high-technology services (including information technology and communication services), knowledge-intensive financial services, and finally, the creative and media industries (including print and publishing, which is typically classified under manufacturing). Together, the knowledge-intensive service sector in Germany comprises 25 per cent of all employment today. Manufacturing in contrast represents a similar level (27.2 per cent) and the rest of employment outside the primary sector is in traditional service work (education, health, and social services 27.5 per cent; retail and personal services 20.3 per cent) (Apitzsch et al. 2015). Table 10.1 presents the shares of part-time employment across these sectors.

Table 10.1 Standard and part-time employment by sector in Germany (2010)

Employment Status	Manufacturing	Market-based Services	High-tech Services	Financial Services	Creative Industries/Media	Education, Health, Social Services	Personal Services
Standard employment contract	85%	61%	76%	78%	63%	53%	50%
Part-time	7%	23%	19%	16%	19%	33%	26%
Marginal Part-time	3%	13%	4%	3%	16%	10%	19%
Other (mainly trainees)	5%	3%	1%	3%	2%	4%	5%

Note: Per cents are rounded. The classification draws on the European Commission definition of the Knowledge-Intensive Service sector utilising NACE 2003 Industry Classification. The Eurostat definition (2014) includes education, health, and social services under the new classification of knowledge-intensive services. For analytical purposes, we keep it separate in this presentation. Data source is the German Socio-Economic Panel survey, wave 2010, based on own calculations reported in Apitzsch et al. 2015, Table 5.

The results show that standard employment (measured as full-time unlimited socially insured employment relations) is still the norm in the manufacturing sector (85 per cent of all employment), while nearly half of all employment in traditional service industries is atypical. The dualisation thesis is thus clearly capturing the sectoral and demographic differentiation of employment patterns in manufacturing (72 per cent of all employees are men) and services (where women comprise 75 per cent of all education, health, and social service employment and 69 per cent of personal and retail service workers). The pattern in the knowledge-intensive industries however, suggests far more differentiation in employment patterns in the new economy. In none of the industries is the standard employment relationship as well established as in manufacturing; at the same time, the shares of atypical contracts are below those in the traditional service industries. High-tech and financial services, with larger shares of standard employment approximate the employment patterns in manufacturing most closely. Market-based services and the creative industries however, come closer to patterns of higher atypical employment common to traditional services.

There is some debate in Germany about whether part-time employment can be considered atypical, given the ways in which the German tax and social insurance system makes part-time work attractive for married women, and given the fact that most part-time work is in standard contracts with equal treatment to regular workers (Knuth 2014). Marginal part-time employment is more clearly a type of atypical employment because of how it deviates from standard employment and given the fact that it is strongly associated with low wage work (Bosch and Weinkopf 2008).¹ While marginal part-time employment is relatively unimportant in manufacturing, high-tech, and financial services, the shares in market-based knowledge services and the creative industries actually exceed those in the traditional education, health, and social services sector, coming close to the shares in personal and retail services. These are not sectors usually associated with low-skilled workers, who are assumed to be the target of marginal part-time employment.²

Two of the important atypical employment forms, solo self-employment³ and temporary agency work could not be estimated with the same data series reported in Table 10.1, but drawing on data from another series of questions, we estimate their shares of total employment in Table 10.2.

Temporary agency employment is relatively unimportant overall, but higher in manufacturing and market-based services (where we assume

Table 10.2 Shares of temporary agency and solo self-employment by sector in Germany (2010)

Employment Status	Manufacturing	Market-based Services	High-tech Services	Financial Services	Creative Industries/ Media	Education, Health, Social Services	Personal Services
Temporary agency employment	3%	4%	(-)*	(-)	(-)	2%	2%
Solo self-employment	2%	14%	5%	5%	16%	5%	6%

Note: *Cases under 20 cannot be accurately estimated and are excluded from this table.

Source: Data is from the same source as Table 10.1.

higher use in logistics industries). The patterns for solo self-employment show a sharper divide between manufacturing and services where use is especially strong in market-based knowledge services and the creative industries. These are the same industries with relatively high shares of marginal part-time employment. Overall, the pattern of employment in high-tech industries comes closest to standard employment relations in manufacturing, while the use of atypical employment forms is strongest in the creative industries.

These descriptive results however, cannot explain why and how firms in knowledge-intensive work sectors utilise atypical employment, or in other words, why the established patterns of functional flexibility along stable internal labour markets are not consistent characteristics of knowledge-intensive work. In the next section we draw on qualitative research about employment strategies and practices in the two sectors of knowledge-intensive work, which use atypical employment the least (IT services) and the most (Media Industries), in order to better understand continuities and changes in employment flexibility. Before doing so however, we briefly review the state of organisational research on high technology and knowledge-based work settings to better understand the changing nature of work and sources of uncertainties, which may be leading firms to seek flexibility externally, beyond firm-internal labour markets.

Sociological research about technology and science-based work settings argues that fundamental changes in work organisation are the consequence of an increasing specialisation of knowledge on the one hand, and the customer (or client) orientation of knowledge-based business strategies on the other. A series of studies about engineering

work has shown how the technical complexity of work fundamentally changes the nature of authority relations and the way in which tasks and jobs are organised, with a move toward less functionally differentiated and more collaborative organisations of work (Barley 1994; Barley and Orr 1997). Research on bio-technology and other science-based industries finds that collaborative work is structured into project-based work organisations, which flexibly recombine skills and competencies in direct relation to specific products or services (Goodman and Goodman 1976; Powell 1996; Powell 2001). Project work organisations in knowledge-based industries depend increasingly on a broader context of inter-firm networks, especially where business strategies lead to firm-level specialisations in core competencies. In these contexts, projects become network organisation, drawing on the human resources of partner firms for skills or competencies not available in-house (Tünte et al. 2011). The shift from jobs to projects and from firm to network organisations (Powell 2001) represents a fundamental step away from internal labour markets as the main source of flexibility. Our contribution is to examine the consequences for the standard of well-protected, long-term employment relationships.

Moreover, knowledge-based industries produce services, which are specialised not only in technical terms, but also in relation to clients and customers needs (Tünte et al. 2011). Research about service work underlines the interactive nature of work, which involves customers as co-producers of services (Rieder et al. 2002). In the IT and Media Industries examined in the next section, service production involves intense interactions, often over long periods of production. In IT, software developers often relocate onto client premises in order to gain contextual knowledge of client organisation processes and requisites for application development. Media services likewise deeply involve authors in some cases, or local contexts in others, in the production of a specific media. Project-based network organisations represent a way in which work organisations have become more temporary in response to both the highly specialised skill needs and customer orientation of knowledge-intensive service work.

Also from the perspective of knowledge workers themselves, more permanent organisations of work are limited in their capacity to contribute to skill formation and career advancement. Staying in one work context for too long poses the risk of becoming under-qualified, as advancement in an occupational field becomes more tied to job and project mobility rather than mobility within an internal job ladder. In their study of US technicians in the 1990s Zabuský and Barley found that

'Expanding one's skills and encountering new challenges were primary reasons technicians gave for changing jobs' (1996: 199). They describe a prototypical case of

A computer technician oriented to hardware <who> explained that he had begun his career as a computer operator tending a mainframe, but after a year he had learned all he thought he could learn, so he began looking for work supporting microcomputers. He quickly found such a job, but after working as a workstation support specialist for three years, he had taken a training course in network technology and was now searching for yet another position that would allow him to expand his knowledge by installing and managing his own network. He also wanted to move out of educational organisations where he had worked up to this point in time because 'here, things are kind of static, you just come, you do your job, you go home'. (Zabusky and Barley 1996: 199)

The US liberal market capitalism never generated employment security in a way similar to European coordinated market economies. The shift to more temporary organisations of work and higher project-based job mobility does not necessitate a change in employment policy in liberal market contexts. However, dismissals restrictions in coordinated market economies like Germany mean that temporary organisations and project-based mobility are really only possible by drawing on atypical work contracts.

In the next section we explore our thesis, linking the expansion of atypical employment forms in knowledge-based work to the nature of skills and work organisation in the new economy.

2 Flexible and committed: external employment in the German knowledge-based economy

In this section we examine the strategies and practices of employers in using atypical works in knowledge-intensive industries. Our focus is on two contrasting cases, of high-tech and creative industry workplaces, where atypical work is used to varying degrees. The specific industries in these branches have undergone considerable technological development, work organisations tend to be highly specialised and customer/client oriented. An interesting similarity between both industries is their roots in traditional manufacturing industries – electronics for IT and publishing for the creative industries. These are workplace settings

where we can expect that managers have rather recently experienced the limits of using internal labour markets for responding to new sets of market uncertainties. In the high-tech sector we study firms engaged in the development of IT services for business clients. Project work networks for a specific client were the unit of analysis. Project team members were technicians or engineers, most of whom were regularly employed by the main contract firm. Technical specialisation was less in occupational terms, and more in relation to specific software and previous project experience. The second set of cases was drawn from the media/publishing industry in the creative sector. The cultural industries have typically been segmented into production and content, but with the digital revolution in publishing and production, these functions are increasingly integrated. In the culture industry we study media firms which both create and produce digital and print content for audiences of readers. Here the unit of analysis was a specific media product (book, journal, newspaper).⁴

The empirical research involved a triangulation of methods including interviews (with managers and workers), workplace observations and in the media industry, a representative enterprise survey about employment practices. A total of 18 semi-structured interviews were conducted in two IT project networks involving different corporate partners, and a total of 56 interviews were completed in four media/publishing firms.

In the IT industry, as expected, employment strategies were mainly oriented toward unlimited, full-time, socially insured, that is the regular employment of technicians and engineers. While internal labour markets were the main resource for skills needed in specific client contracts, firms also stressed the limits of internal labour markets. IT firms regularly turned to freelancers.

When individual requests come in, for which we don't have someone with that particular skill, or the person we have is not available, then we turn to free-lancers, but ones who we know through some references or other, as a good worker, a good free-lancer, and as is often the case, when the free-lancer does a good job, the customer then wants that exact free-lancer back on their next project.... These are free-lancers who we mainly have in view, who we know, or come from other firms or have references.... (Manager, IT Firm 1)

In the German employment context, freelancing takes two contractual forms – fixed-term contract work or self-employment – but many of

the individual freelancers we interviewed reported moving between the two statuses, sometimes for the same employer/contractor. In IT firms freelancers often used different business cards, either the card of the employing firm (if fixed-term) or that of their 'own' firm, if solo self-employed. In our sample, most freelancers were solo self-employed, in part because German labour law still restricts renewals of fixed-term employment.

The interview excerpt above illustrates another important point. The external labour market of freelancers did not operate on a pure market basis. None of the firms we studied recruited freelancers from online portals or other open markets arenas. Instead, they relied on social networks and referrals, and tended to re-call freelancers who had worked for them before. In fact, referrals were often made by the regular employees, who drew on their occupational networks on behalf of their employers. Moreover, as the excerpt also indicates, client demands also led firms to re-call freelancers. In cases where complex software projects required detailed knowledge of client organisations or took place on client premises, the demand for specific technicians contributed to building long-term relationships with freelancers.

In practice, freelancers performed the same core software development tasks as regular workers, though in some projects they were mainly recruited for peak phases of work. As a manager of this same major IT firm made clear, the preference was to draw on internal labour markets, with externals playing a supplementary role.

We first try to cover projects with our own people and we turn only to third-parties to either borrow or buy-in people when our own resources are mined out. We would like to have had more projects in this field. Then we would probably have had more freelancers, at the beginning, but then eventually in the mid- and long-term, more regular employees. We don't actually do projects only with free-lancers, rather, we look, in the middle- and long-term to retaining some of them as regular employees of the firm. (Manager, IT Firm 1)

This interview excerpt also points to the role of external employees in market innovations and new business competencies. Not only specific skills and peak work periods, but also shifts in business models or market segments motivated IT firms to make regular use of freelancers.

This interview excerpt also reveals a pattern of meeting skill needs by 'borrowing' employees. Colloquially referred to as 'body leasing',

borrowing labour was a very common practice in the IT industry. Employees of partner firms were included of course in project network organisations, but in such cases, firms bid and implemented a piece of business jointly. Body leasing refers to a form of labour exchange, operating independently from specific project networks. This practice was so well established, that one industry representative claimed: 'In the end it is the case that we are partly engaged in project business, and partly in body leasing, i.e. consultation and operational support' (Manager, German IT Firm 1).

Freelancing as a form of external employment was also practiced regularly in the media/publishing workplaces, where it also mainly took the form of solo self-employment. The survey results revealed that nearly two-thirds of all media firms (including TV and Film) used freelancers, who comprised one-quarter of all employment in the industry. In the publishing/media industry, off-site work by freelancers was more common, while on-site freelancers often could not be distinguished from regular employees in terms of functions and tasks. Overall however, there was far more diversity in the sorts of regular roles performed by freelancers. Our workplace studies revealed three specific patterns, all of which were related in some way to specific sets of content knowledge. Regional newspapers for example, utilised freelancers in the form of beat journalists for their local knowledge and connections to specific contexts.

My beat is city (name deleted) and (name deleted) and reporting about what is on offer in these communities. Events, but also about any councils or groups, for example the local church charity and, well, everything that one can uncover in this community. I get the information, about what they are doing, that there is a new course in the local school, gather the information, snap some photos and report it then in X newspaper. (Free-lance Journalist, Beat Journalist type)

Evident in this interview is the very large scope of the job. Individual freelancers in this newspaper stayed in this status over very long periods of time. The journalist cited above had been working for the same newspaper since 1992 (20 years at the time of the interview).

A second pattern, which we call virtual editors, was more common in book publishing, where external freelancers mainly worked off-site, and were responsible for specific authors or contents over long periods of time. In contrast to beat journalists these external employees had a broader national, even international scope to their work. Unlike beat

journalists, virtual editors were integrated into the entire production process of the content they coordinated.

My work involves everything related to the production of a book. That means writing, copy-editing, doing the graphics. Even the layout draft, including setting the type, well then, that's what I do, that's what I cover. That doesn't mean I do all of this for every book. Sometimes I just bid on delivering the content, or just copy-editing. But basically I can do everything... The project I just completed last week was also for Y Publishers...and there I took over the complete production...I wrote all the content, edited the pictures and did all the text layouts. (Free-lance Editor, Publishing House Y)

We discovered one such virtual editor coordinating the production of a major social scientific journal in Germany, a job this editor had been doing for years in the status of self-employed.

A third and more common pattern of external employment in publishing/media was what industry insiders call fixed-free (*feste Freie*) editors. In contrast to virtual editors the fixed-freelancers worked on-location at publishing houses, and could hardly be distinguished in terms of their work roles and functions from regularly employed editors. Their work, like the virtual editors, spanned content and production, but they were also involved in developing business strategy and in management functions.

I almost have the feeling that I am a sort of 'girl Friday' responsible for everything.... I cover the three main parts of publishing, creative decisions, program development, yeah, and also budgeting and controlling – how can we do this or that series, what topics should be taken-on, which authors, and then, well the whole publishing business as well as a thousand other things.... The entire project coordination, I almost forgot that, but that is the fourth main part. Of course also coordinating all the on-going projects as well. Everyone is then also responsible for all their own additional free-lancers.... graphic artists, as well as copy-editors, cartographers, whoever is there or important for a particular book project. And they come with their own problems and crises to us. Deadlines that are not met, when something goes over budget or when the layout cannot be solved, whether the layout is all right. The authors imagine things their way, the editors imagine things their way, and all of that has to be supervised and coordinated. (Free-lancer, Publishing House Y)

Freelancers in this case carried enormous responsibilities, not only for content production, but also for business operations, including hiring and supervising other freelancers.

The analyses of work roles of atypical employees show rather clearly that external workers do not constitute a peripheral workforce, as suggested by the dualisation thesis. Despite the differences in shares of atypical contracts in the high-tech and creative industries, several similarities characterise the strategies of managers in utilising freelancers in the form of solo self-employment. In both industries, freelancers are in long-term employment-like relationships in firms, where they are integrated into core work and even management functions. Moreover, a part of the stability of atypical employment relations is motivated by relationships to clients – in IT, where clients demand specific people for follow-up business, and in media, where the content or product necessitates a long-term relationship with an author or client. Finally, the mobility involved in external labour markets and the long-term nature of work relationships, despite the absence of an open-ended employment relation seem also to involve advantages for workers in these sectors. To understand the consequences for workers, we examine the balance of securities and risks involved in atypical employment in the next section.

3 New employment risks of external employment in knowledge-intensive work

In this section we examine how technicians and media workers experience atypical employment, especially in relation to work autonomy, wages, and social insurance coverage. Over the past 20 years, dozens of labour reforms in Germany have sought to both enable and better protect atypical employees, but very few of these have been directed toward solo self-employment. As a result, solo self-employment deviates the most (next to marginal part-time) from the standard full-time, socially insured employment relations (Apitzsch et al. 2015). Yet the different ways in which external employees are utilised in IT and Media also vary in relation to how closely they come to being an extension of the internal labour market. In Figure 10.1 we illustrate these differences as a continuum. Beat journalists and body leasing form the two extremes in terms of how distant atypical forms are to the standard employment relation.

Beat journalists are the furthest from the work roles and conditions of regular employees, but also from other forms of freelancing/self-employment in media workplaces. In most cases, beat journalists

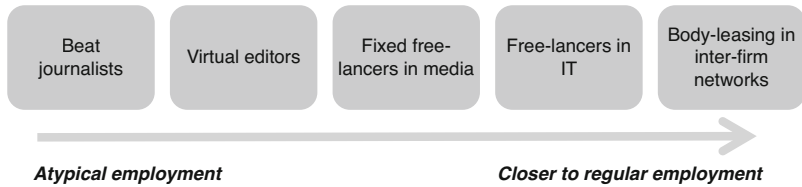


Figure 10.1 Types of external labour along the continuum of atypical and regular employment relations

do not have an actual employment contract, and instead are paid by a set honorarium for a piece of delivered content. This form of employment means that beat journalists are not covered by labour regulations (for example, limiting working hours) or by social insurance contributions made by employers. Moreover, since they are expected to spend most of their working time in their beat, they tend to have little contact with co-workers. Beat journalists exhibited high intrinsic motivation, but reported dire material insecurity and were not able to live from the honoraria they earned in lieu of wages. Working for multiple newspapers and depending on family members were typical risk management strategies, confirming prior research on journalists in Germany (Gottschall 1999; Gottschall and Betzelt 2003).

The disadvantage is obvious, when I look at my bank account. The level of fun is much higher than my bank balance.... I mean, well, one can speak about level of income. The worst month is under 200 Euros. A good month, if we are talking about (name removed) newspaper is at 400 to 500 Euros... So I am very happy that I have a wife who accordingly funds my time-intensive hobby. (Publishing freelancer, Beat Journalist type, Newspaper X)

This journalist does not earn a minimum existence, but manages the potential risks privately, by co-benefitting from his wife's income and social insurance. Many other beat journalists were students or retirees, who could depend on other sources of social insurance protections and income. The precarious nature of beat journalism is compensated by biographic selection, specific family formations, and co-coverage in cases of dependent spouses. Without private arrangements, this occupational choice would not be sustainable.

Next on the continuum are virtual editors who typically register themselves as self-employed, work from their private homes, often quite some

physical distance from workplaces and clients. Virtual editors reported high satisfaction from work autonomy, especially control over working-time. They also reported status gains, when moving from dependent employment in media firms to self-employment. In describing the benefits, one virtual editor exclaimed:

... the freedom, to work when I want, independently.

At least in my case, I am not dependent on a firm anymore, and the personal relations are better, when you don't have a boss, but rather just business partners. I have learned, that as a journalist.... one gains a different status among the editors. If you work in the office as a free-lancer, then you are there, as the one who is at the bottom, and who can have work pushed on to them. When you are a free-journalist who is working thematically... you are at the same level. It is a completely different relationship. That is also the reason why I don't want to work in a firm. In the end, I am better off financially as a free professional, despite the insecurities, than if I were dependently employed. (Publishing Free-lancer, virtual editors type, Interview C)

A problem faced by virtual editors however, are labour law restrictions which prohibit 'pseudo' self-employment, that is being under contract from one employer (and thus effectively in a dependent employment relations without social insurance). Ironically, this situation prevents solo self-employed from being in a long-term relationship with media firms; a situation which could in fact threaten their business.

I worked for two or three years (for the editorial office) and was given more and more responsibility, even directing projects myself and such. Then at some point, it actually happened, that I said, if I keep doing this, then I will have the problem of pseudo self-employment (*Scheinselbstständigkeit*). Because I work for them too much and that is why I said, I would like to reduce my work, also in order to have time to take on other projects. And then they came and offered me a full-time regular position, but I decided against it and then they started to give me fewer contracts. (Publishing Free-lancer, virtual editors type, Interview A)

As evident in the IT cases analysed in the previous section, it is also not uncommon for IT-freelancers to be offered regular employment, which they refuse. Yet the minimal regulations of solo self-employment, designed to protect self-employed workers from being too dependent

on a single contractor, actually force them into a more market-based form of commercial acquisitions and taking on multiple clients. In such cases, virtual editors reported losing one of the main advantages to self-employment, control over working time.

Yeah, there are some topics, for which I would really like to have more time, but well, I always have to dedicate about 40% of my time to acquiring new contracts, which means looking for them and sometimes there are phases, when I am only able to manage the work I already have and cannot generate any new contracts and then I often have a gap. (Publishing Free-lancer, virtual editor type, Interview A)

Such gaps in work are especially problematic for keeping up with social insurance contributions. Self-employed media workers are eligible for coverage in a special form of social insurance for artists and publicists (*Künstlersozialkasse*), but actual coverage varies, since gaps in work contracts are common.⁵ Moreover, the more one works for multiple media houses, the smaller the contracts, and the harder it becomes to convince firms to meet their obligations in contributing to social insurance. Yet, even when virtual editors manage to have continual work, benefits like vacations need savings, not only for travel costs, but also to replace the income lost during holidays. Working for a single employer, as the 'fixed-freelancers' often do, might result in better working and benefit conditions, but as solo self-employment, this option is not legal.

Fixed-freelancers in publishing/media and freelancers in the IT sector are in similar situations in terms of being in long-term employment relationships, enjoying a number of firm-level benefits, but with some of the same problems in regard to solo self-employment. As discussed above, many freelancers in IT toggle between self-employment and fixed-term contracts, in order to serially evade pseudo-self-employment and renewal limits on fixed-term contracts. In both cases, freelancers reported refusing regular employment, and are nonetheless very well integrated into work communities.

Body leasing despite the pejorative tinge in English, carries no such stigma in the use of an English term in German, and from the perspective of skill formation through project-mobility, entails advantages for counteracting the possible negative effects for skill formation in long-term employment relations, arising from a lack of mobility and a narrowing of project experiences. Body-leased employees enjoy the best of both internal (secure) and external (mobile) labour worlds. The

mutual benefits for firms and workers in IT are specific to the inter-firm network structure of the industry. Network organisations are also common in other high-tech industries in the knowledge-based economy, making the practice significant for the future of employment relations in these core sectors of the new economy (Powell 1996; Grabher and Powell 2004).

The problem with most legal restrictions on atypical employment is the underlying aim to have atypical workers converted to open-ended contracts, rather than providing better long-term protections for this employment status. In our observation, employment regulations are not necessarily in the interests of these workers. Freelancers often reported refusing offers of open-ended contracts from the firms where they worked. In the IT industry, at an advanced level of occupational competence, working at one firm was considered a constraint to both earnings and occupational development. Given the market situation, freelancers in IT had little trouble finding and maintaining full-time employment and higher earnings, and switched between fixed-term and self-employed status fluidly.

Similar advantages did not accrue to freelancers in the culture industries. Nonetheless, in the publishing/media sector, fixed freelancing was often a choice, with the advantage less in earnings, and more in terms of gaining autonomy over working-time and work content. While time sovereignty was an advantage over regular open-ended employment, we also heard many reports of overtime and an inability, in practice, to limit office presence, especially during peak periods of media production. Being able to remain in a fixed-term contract with contractually agreed working hours would have actually improved the ability of fixed-freelancers to enforce control over working hours, since work regulations would apply. Moving to the status of self-employed removed the regulatory chance for control over working-time, and moved the relationship into the realm of quasi-legality (*Scheinselbstständigkeit*). Provisions in German social policy obligate employers to make social insurance contributions for self-employed in 'employment-like' work situations, but the contradiction with regulations against pseudo-self-employment invite evasion. Nonetheless, some of the firms in our study voluntarily extended a number of employee benefits, such as paid holiday and sick leaves. The employers of fixed-freelancers in the media industry also seemed more likely to pay into the artists' insurance scheme. In the large publically financed radio enterprises freelancers reported coverage in collectively bargained contracts for 'employment-like' relations, a status which however depended on a minimum presence at work. Moreover,

professional communities played an important role in sustaining a career as a freelancer.

I don't want to say that my circle of friends is comprised exclusively of free-lancing professionals. Not all, but in fact many are working in this field. My best friend is an author and we are doing a lot of projects together. This is incredibly good for me, well, because I know that when things get tight, then I can ask her to take over some work for me. My boyfriend is a graphic artist and a free professional, and it is also important to see that one is not alone in being faced with all these fears. Instead, we all have the same fears, we all have the same problems, we would all like to be able to tell some of our clients that we don't want to work with them anymore. But we can't always do that financially, and it is enormously important to me, that I have people with whom I can talk to about this.

Freelancers in IT reported similar experiences. Overall, the market situation meant that IT freelancers were better able to manage the risks of gaps in employment and social insurance contributions. The network structure of the IT-industry, its central role in the German export-oriented economy, but also the higher occupational status of technicians and engineers placed IT freelancers in a more favourable earnings bracket compared to freelancers in the culture industries. Moreover, IT freelancers cultivated a professional ethos as autonomous experts. Few could imagine returning to regular employment at one firm, since not having a boss also meant being able to develop and engage in one's own specialisation.

4 Conclusion

The German model of coordinated capitalism rested on a form of standard employment, firm-level training and flexibility within internal labour markets, buttressed by the strict regulation of employment protections. Exactly these institutions have reached their limits in the context of knowledge-based work organisations, where we show in this chapter that firms are increasingly turning to the external labour market for sourcing skills and dealing with dynamic market developments. Given the tight dismissals regulations in Germany, firms are more or less forced to employ temporary labour in the form of atypical employment contracts. These employment forms deviate in systematic ways from the working standards and inclusion in social insurance protections, but our

research shows that firms tend to build long-term relationships with external workers, and that workers themselves are reluctant to enter into standard employment relations. Nonetheless, this means that highly skilled workers in the knowledge-based industries who find themselves in atypical employment forms shoulder a range of social risks themselves. This, we would argue, is a consequence of employment reforms which continue to be oriented toward the model of protected employment in the core industrial economy, and ignore the logic of work and organisational flexibility in the new core knowledge-based economy. Deregulation of dismissals restrictions is too salient a policy reform to suggest any change in the near future. The direction of reform suggested by our analysis would be to readjust restrictions on solo self-employment and fixed-term employment, in-order to introduce better social insurance and work regulations, rather than restricting their use.

Notes

1. Marginal part-time work is exempted from income tax, but also from employee contributions to social insurance, and limited to earnings of 450 Euros per month. It is also a highly feminised form of work, with over 85 per cent of all so-called mini-jobs held by women (see Apitzsch et al. 2015)
2. We address the use of marginal part-time work in knowledge based workplaces in Apitzsch et al. 2015, but focus in this chapter on the other main form of atypical work discussed next, namely solo self-employment.
3. Defined as self-employed without employees.
4. The empirical research presented here was funded by the German Ministry of Education and Science, under two different calls for research about the future of work, services, and new technology. The studies of the IT industry were part of a study about virtual work and project networks (VIP-NET, funding code: 01HU0128) conducted between 2003 and 2007. Research about the publishing/media industry was jointly funded by the European Social Fund (ESF) and focussed on flexibility and security at work (Flexmedia, funding code: 01FH09008) between 2009 and 2013. We acknowledge the participation of Diego Compagna and Hannelore Mottweiler in these research activities.
5. The *Künstlersozialkasse* was intended to extend employment-like benefits to self-employed artists and cultural workers. In this scheme, self-employed cultural workers are expected to make half of the mandated insurance contributions themselves, while the federal government provides 20 per cent and firms 30 per cent. Low wages of cultural workers and firms' evasion of their contributions means that many cultural workers are either not covered by social insurance or insufficiently so (Haak 2009). Payment in the form of honoraria is also a way to work around employment-like obligations.

11

Work-Life Balance, Working Conditions and the Great Recession

Frances McGinnity and Helen Russell

1 Introduction

While concern with the interface between work and family life is not new, work-life balance has risen to prominence in academic and policy debates in recent years. This has occurred in the context of rising female participation in the labour market, and a concomitant rise in the proportion of people combining work and caring roles (McGinnity and Whelan 2009). Work does not happen in a vacuum: individuals weave work into their lives in myriad ways, and to a greater or lesser extent feel ‘successful’ or ‘balanced’ in how they do this.

One prominent debate in this vein of research is to what extent work-family conflict is influenced by pressures from work and pressures from home. There is evidence of an increase in work intensity across Europe (Green and McIntosh 2001; Gallie and Zhou 2013). Gallie and Russell (2009) suggest that the marked rise in the levels of work pressure in European countries since the early 1990s has contributed to greater strain in managing work and family life. Others point to changes in the household context. While there has been no clear increase in individual paid work hours, Jacobs and Gerson (2004) argue that the household context, particularly household working hours, is highly salient for work-life balance.

While arguments about what facilitates work-life balance are often framed at a more general level, the literature on institutional variations in advanced capitalist societies draws our attention to ways in which such effects may be mediated by the forms of production and welfare regimes in these societies. Different countries organise work in different ways, in terms of working time and the quality of work (Gallie 2007). A large body of work has also shown the variety of ways in which countries

organise supports for non-work activities like caring, both in terms of childcare provision, how employment is distributed in households, and measures to support the reconciliation of work and family life (Esping-Andersen 1990 Gornick and Meyers 2003; Plantenga and Remery 2005). A key focus of this chapter is variation in work and working conditions, and how this influences individual's satisfaction with work-life balance.

This chapter assesses evidence across 18 countries using a high-quality survey, the *European Social Survey Round 5*, which included a special module on working conditions and work-life balance. This allows us to investigate variations in the quality of work, the interface between work and family life and the impact of recession for individual workers living in different institutional contexts. This chapter first considers research on the work-family interface, and how this is related to working conditions and the quality of work. It then considers how working conditions experienced at individual level vary by regime (Section 3). The impact of recession may be mediated by institutional contexts so Section 4 considers evidence of change in the past three years for employees, their firms, and their families. Section 5 investigates the association between working conditions, change in the past three years and satisfaction with work-life balance using statistical modelling. Finally we consider regime variation in satisfaction with work-life balance, and how this is mediated by regime.

2 Work-family balance: previous research and debates

Much research on the work-life interface is rooted in the notion of conflict between roles, that is, that the time or energy devoted to one role is not available to another role (Goode 1960). The demands-resources perspective distinguishes demands, or work-role requirements, and resources, which are assets used to cope with demands (Voyandoff 2005). *Demands* are aspects of jobs associated with sustained physical and/or mental effort, such as long working hours. *Resources* are factors that help people to reduce work-life conflict or cope with conflict, such as flexibility in assigning working hours, control over one's work or having supportive work colleagues. This perspective can be extended to family factors. Home demands could include the number and age of children, a partner's unsocial hours, or hours of housework. Home resources are factors such as having a supportive partner, having extended family close by and financial resources like household income.

Work-life balance, or conversely work-life conflict, has been measured in a number of ways (McGinnity and Whelan 2009). Some authors

take 'objective' measures like part-time work as an indicator of work-life balance, or use a combined measure of paid and unpaid work time. A more common approach focuses on the assessment of the individual. This allows for people with the same volume of paid work to record different levels of balance, depending on their resources, motivations, and expectations. Often this is in the form of an index which combines responses to a series of questions about frequency of spillover and interference (see papers in the volume McGinnity and Whelan 2009). An alternative is to ask people directly about whether they are satisfied with their work-life balance, or the time they spend on each activity (e.g. Beham and Drobnic 2010; Drobnic and Guillen 2011; Fagan and Walthery 2011). As Beham and Drobnic (2010) argue, whereas cross-domain constructs such as work-family conflict refer to experiences in one role which affect the quality of, or the performance in the other role, satisfaction with work-family balance refers to the overall level of contentment with how one handles work and family demand. In this paper, the indicator used is satisfaction with work-life balance, which relates specifically to the time spent on these activities. As others have argued, this approach captures perceptual or affective reactions to an unspecified level of balance rather than the level of balance itself (Drobnic and Guillen 2011). It will also be related to the expectations of the individual.

One appeal of the concept of work-life balance for social research is that it allows a wider understanding of non-work concerns to be encompassed in employment research. Yet this is also a crucial limitation of the concept: no matter how it is defined, work-life balance is observed only for those in employment, and those who were really struggling to manage their work-life balance may have exited the labour market (McGinnity and Whelan 2009).¹ That said, the analysis presented here does include non-employed partners.

In terms of the determinants of work-life balance, a growing body of work in the area has highlighted the importance of the nature of work – such as the volume of paid work, scheduling and working conditions – for work-life balance outcomes (Gallie and Russell 2009; Drobnic and Guillen 2011). Long working hours are consistently found to be negatively associated with work-life balance (McGinnity 2014). Scheduling is also important; unsocial hours such as regularly working weekends or evenings/nights typically increases work-family conflict, as does schedule flexibility which benefits employers, like working overtime at short notice (McGinnity and Russell 2013). Typically, flexibility which allows employees to vary their schedule to accommodate their family

lives tends to reduce work-life conflict (Fagan, 2003), though this is not always the case (Schiemann et al. 2009).

Work demands other than working time and its allocation may influence work-life balance. A very demanding job may leave individuals with less emotional or physical energy in their non-work time. Research has shown consistently that work pressure or work stress, typically combining time pressure and the demands of the job, has a strong influence on work-family conflict (Gallie and Russell 2009; McGinnity 2014). Perceived job insecurity typically has a negative impact on work-family conflict (Scherer 2009). In terms of job resources, having supportive work colleagues or a supportive boss does tend to reduce conflict (Byron, 2005). Theoretical arguments suggest that job autonomy tends to reduce pressures by giving workers some degree of control over the policy, pace, and organisation of their work (Karasek 1979). Research on satisfaction with work-life balance has found that job control does reduce work-life conflict (Fagan and Walthery 2011). There is less consistency on the impact of autonomy or job control over alternative measures of work-family conflict (Schieman et al. 2009).

The level of work-life balance is also linked to demands and resources within the home. Many previous studies have found that the presence of children, particularly young children increases work-life conflict (Bianchi and Milkie 2010). Other research looks at the number of children; typically more children is associated with higher work-life conflict (Steiber 2009), though some studies find no effect of children (Schieman et al. 2009).² Bianchi and Milkie (2010) point to the potential support provided by partners as a family 'resource', though partners can also place demands on individuals and limit their time for other commitments. Crompton and Lyonette (2006) stress the importance of the gendered division of labour within the household for work-life conflict, as well as gender role attitudes, and the consistency between attitudes and behaviour. Related to arguments about the concentration of household employment, Scherer and Steiber (2007) found that a high level of total (paid) work hours has been shown to contribute to work-life conflict. Yet McGinnity and Russell (2013) also find that having a partner who is unemployed increases work-life conflict, suggesting that the negative impact of unemployment on income and well-being may outweigh any benefit of lower household working hours. Chung (2011) and McGinnity and Russell (2013) both find that household financial insecurity or difficulties making ends meet increases work-family conflict, suggesting that the recent economic crisis is likely to have exacerbated difficulties of reconciling work and family life.

3 Varieties of capitalism, welfare regimes and working conditions

The literature on Varieties of Capitalism and employment regimes highlights cross-national variation in the organisation of work, which has potential implications for work-family conflict both directly and through the shaping of proximate working conditions (see Ciccio this volume). The varieties of capitalism, or production regime theory (Hall and Soskice 2001), draws a contrast between coordinated market economies like the Nordic countries and Germany, where employer coordination leads to longer term investment in employees, an upgrading of skills and a high level of employee control, and liberal market economies like the UK where there is greater reliance on low-skilled workers, tighter managerial control, higher work pressure, and weakened union control (see O'Riain and Flaherty, this volume for further discussion). Employment regime theory classifies a wider range of societies into three categories: Inclusive, Dualist, and Market regimes, based on involvement of organised labour in decision/policy making, and the level of integration of marginalised groups through employment regulation (Gallie 2007). Inclusive systems of employment regulation protect vulnerable sectors of the workforce, dualist systems create a sharp contrast between core and peripheral workers, and in liberal systems working conditions will depend primarily on market power (Gallie 2013). The Continental systems are seen as examples of dualist regimes, while the Nordic systems represent the inclusive regime, and the market regime maps onto the Liberal group of countries. Neither typology included the Southern, nor Eastern European countries, though recent work by Gallie (2013) suggests that with the exception of Slovenia, the level of bargaining coordination is uniformly low in the East European (or Transition) countries. However, the Southern countries show little coherence on this dimension. In terms of inclusivity, measured by union density and bargaining coverage, the Transition countries were again found to cluster together alongside the Liberal regimes, while the Southern European countries sat next to the Continental regimes with high bargaining coverage and low union density.

Similar typologies have emerged from the welfare state literature and a key dimension from a work-life conflict perspective is the extent to which welfare effort supports the combination of paid work and caring roles, for example through taxation and welfare policies, childcare supports, and leave schemes (Esping-Andersen 1990; Plantenga and Remery 2005; Gornick and Meyers 2003; Crompton and Lyonette 2006; OECD 2007) and the regulation of working time (O'Reilly 2003). The Nordic

countries have been classified as having a dual breadwinner work/care regime with well-developed supports for reconciling work and family. The Continental group including France, Germany, Belgium and the Netherlands fall into the conservative welfare regime where benefits are strongly linked to paid work, but there is significant between-country variation in support for work/family reconciliation.³ Liberal regimes such as Ireland and the UK, tend to have low levels of public support for childcare and relatively limited leave schemes, though in both cases there have been significant policy developments in recent years. The southern European countries have traditionally provided a low level of support for combining work and care and have relied heavily on family-provided care services.⁴ The countries of Eastern Europe also have a distinct approach to reconciling work and family life. While the dual breadwinner model was the norm during the communist era, post-communism there has been a re-emergence of familialism in the form of greater reliance on mothers for care, plus a combination of long parental leave periods with low benefits, which has taken place to a different degree within countries (Szikra and Tomka 2013). The move towards 'explicit familialism' is seen to be greatest in the Czech Republic and Slovakia (Szelewa and Polakowski 2008).

As noted in Behling's chapter (this volume) employers may also provide welfare benefits to employees. In the case of work/family reconciliation benefits may consist of enhanced leave arrangements and flexible work arrangements beyond statutory provision. However at a national level these interact with statutory provisions, so that for example firm-level additions to maternity leave are lowest in countries with comprehensive and generous state schemes (Evans 2001).

4 Satisfaction with work-life balance and working conditions in Europe

To examine work-life balance and working conditions, this chapter uses data from the round 5 of the European Social Survey (ESS), an academically driven social survey designed to chart the interaction between Europe's changing institutions, attitudes, and behaviour patterns.⁵ The survey covers over 30 countries and employs rigorous survey methodologies. The ESS special module on work, family, and recession (2010) was specifically designed to make possible an analysis of work-family balance in a wide range of countries. Questions in the special module cover topics such as satisfaction with work-life balance, work pressure, job control and scheduling, hours of work, age and number of

children, and information on partners' employment. All the analyses in this chapter are weighted to give countries a similar number of cases.⁶ Tables 11.1 and 11.2 are based on employees aged 20–64. To include information on partners, the models presented in Tables 11.3 and 11.4, are based on employees in couples, aged 20–64.

Tables 11.1 and 11.2 compare the means of some key indicators between employees in different regimes. The first is the indicator of satisfaction with work-life balance. This is measured as responses to the question: 'And how satisfied are you with the balance between the time you spend on your paid work and the time you spend on other aspects of your life?' Answers were recorded on an eleven point scale from 0 'extremely dissatisfied' to 10 'extremely satisfied'.

Previous research has shown that working hours are strongly related to work-life balance. Mean weekly working hours are presented separately for men and women as regimes show rather different patterns for each. For men, working hours are longest in the Eastern European/ Transition regime, with male employees working an average of 45 hours per week.⁷ The Southern European group also record long working hours

Table 11.1 Work-life balance, working hours, job pressure and job control by regime (2010)

Mean value	Liberal	Nordic	Continental	Southern	Transition
Countries Included	UK, Ireland	Denmark, Norway, Sweden, Finland	Germany, NL, Belgium	Greece, Spain, Portugal	Estonia, Poland, Hungary, Slovakia, Czech Rep, Slovenia
Satisfaction with work-family balance (0–10)	6.34	6.74	6.56	6.13	6.08
Working hours (weekly) Men	41.7	41.0	41.5	42.9	45.1
Working hours (weekly) Women	32.0	36.2	32.6	38.0	41.1
Job Pressure Index (1–5)	3.63	3.40	3.35	3.53	3.33
Index of job control: work organisation, policy, and pace (0–10)	4.90	6.67	5.59	4.51	4.21

Note: Employees currently employed, 20–64, weighted to give each country the same number of cases.

Source: European Social Survey, 2010.

for men, with a mean of just under 43 hours per week. Nordic men work the shortest hours, at 41 hours per week. For women, average working hours are strongly influenced by the prevalence of part-time work within national economies and quite a different regime pattern is observed. Female working hours are lowest in the Continental and Liberal regimes, where part-time work commonly accounts for a significant proportion of female employment (France is an exception here). Women's mean working hours rise to 36 hours in the Nordic regime, 38 hours in the Southern regime and to 41 hours per week in the Transition countries. Note that reporting mean working hours does not capture the distribution of working hours, as rates of part-time work vary substantially within regimes.⁸

Job pressure or work intensity is measured as a combination of '*my job requires that I work very hard*' and '*I never seem to have enough time to get everything done in my job*' (ranging from 1, disagree strongly to 5, agree strongly). The levels of job pressure across regimes do not closely correspond to employment regime predictions. While employees in the Liberal regime do record higher pressure than those in the Continental and Nordic regimes as expected, the differences are generally weak, and the lowest-pressure scores are recorded in the Transition countries. This somewhat paradoxical result arises partly because of the inverse relationship between pressure and occupational class. Work intensity is highest among professional/managerial occupations, which are of high quality on other dimensions (Gallie and Zhou 2013).

In contrast the distribution of job control more closely follows employment regime expectations. The job control index is a measure of how much an individual can influence the pace of their work and how they organize it, as well as policy decisions about the activities of the organization.⁹ The scale ranges from 0 to 10 where 0 is no influence, and 10 is complete control. Job control is significantly higher in the Continental and Nordic regimes and is lower in the Liberal, Southern, and especially the Transition regimes. Note these are averages for each regime: in some countries there may be much wider variation between skill groups and workers in the 'core' and 'periphery'.

Further working conditions that have proved significant for work-family conflict in previous research include unsocial working hours, flexible working arrangements, physical working conditions, and job insecurity. Here we consider how these conditions vary across employment regimes (see Table 11.2).

Flexibility in start and finish times is very clearly patterned by regime. Nearly a third of employees in the Nordic countries enjoy such

Table 11.2 Proportion of employees saying 'yes' for selected working conditions (2010)

	Liberal	Nordic	Continental	Southern	Transition
Can decide start and finish times (quite/very true)	18.1%	31.4%	27.8%	10.4%	20.2%
Work evenings or nights at least once a week	27.3%	26.5%	19.3%	17.3%	18.5%
Work weekends at least several times per month	34.7%	26.4%	28.3%	35.4%	36.1%
Work overtime at short notice at least once a week	16.4%	15.2%	23.8%	12.1%	13.4%
Health/safety at risk (quite or very true)	17.5%	13.9%	18.3%	18.2%	28.3%
Job insecurity (see text for details)	39.9%	23.4%	30.7%	53.9%	44.6%

Note: Employees currently employed, 20–64, weighted to give each country the same number of cases.

Source: European Social Survey, 2010.

flexibility compared to only one in ten of those in the Southern countries. Employee control over start and finish times is also relatively high in the Continental regime, at 28 per cent.

There is no consistent regime pattern across different forms of unsocial working hours, which may arise because they are functionally equivalent, and employers in different societies use alternative arrangements to achieve scheduling flexibility. The prevalence of unsocial hours also varies considerably by sector (Eurofound 2012), so the sectoral distribution of employment within countries is also likely to play a role here. Working evenings/nights is most common in the Nordic and Liberal regimes, whereas weekend work is more frequent in the Southern, Transition, and Liberal regimes. Finally overtime at short notice is most prevalent in the Continental regime.

Levels of job insecurity across regimes is likely not only to reflect differences in employment systems, but also levels of exposure to the economic crisis. However, as Ó Riain and Flaherty (this volume) argue, these are not independent factors because features of the employment regime such as broad bargaining coverage or welfare spending, hedge against some of the more negative effects of globalisation.

Countries particularly hard-hit by recession (as of 2010) were Ireland in the Liberal grouping, Spain in the Southern regime, and Estonia in the Transition group. In 2010, average unemployment levels were significantly higher in the Liberal, Southern, and Transition groups than in the Nordic and Continental groups. Indeed, a number of countries saw a decline in unemployment rates between 2008 and 2010, namely Sweden, Norway, and the Netherlands, while Germany saw no change. The extent of changes in gross domestic product GDP also varied within and between regimes. By far the highest levels of insecurity are recorded by employees in Southern Europe, followed at some distance by those in the Liberal and Transition countries.¹⁰ The proportion of employees feeling insecure in the Nordic regime (23 per cent) was less than half that in the Southern (54 per cent). In terms of physical and mental hazards, employees in the Transition regime were significantly more likely to report that their health and safety was at risk at work (28 per cent) compared to a low of 14 per cent in the Nordic regimes, where there has been a concerted policy focus on worker well-being (Gallie 2003).

5 Employment regimes and economic crisis

The effects of the economic crisis on the quality of work are not self-evident. At a broad level, growing unemployment and insecurity are likely to weaken employee bargaining power and to undermine wages and other employment conditions, leading to increased work pressure and tighter controls. An alternative scenario is that the economic crisis will disproportionately impact on low skilled jobs, either because of structural factors such as the concentration of job losses in the construction, manufacturing, and retail sectors, or because of the greater incentives for employers to hoard skilled labour. This process would lead to an apparent rise in skill levels and job quality among the 'survivors' in employment.

How the costs of recession are distributed across workers is also likely to be influenced by institutional factors such as the inclusiveness of the bargaining system and employment regulation, and the welfare regime. The link between recession and economic hardship for citizens will also be influenced by the welfare regime particularly, but not exclusively for the unemployed. In the case of employees, policy decisions on taxation, in-work benefits, and public sector pay cuts are also relevant.

The special module of the *European Social Survey* in 2010 aims to tap into individual's experience of recession by asking a series of questions on change in the past three years. The nature of employee-reported

changes in work conditions over the recession period is described in Figure 11.1. Respondents were asked whether in the last three years they had experienced the following negative changes: a reduction in pay? Had to work shorter hours? Had less security in your job? Had to do less interesting work?¹¹

Reductions in pay and security were much more prevalent in the Liberal cluster, with over one-third of employees experiencing these. Reductions in pay were also experienced by just under one-third of employees in Southern and Transition countries; over one-third of employees in Transition countries also experienced decreased security. In the Nordic and Continental clusters, negative changes in these working conditions were much less common. In all countries, cuts in hours were less common than other changes in working conditions.

Secondly, we measure difficulties at the firm or organization where the individuals work. Respondents were asked: 'During the last three years, would you say that the organisation for which you work has experienced...a great deal of financial difficulty/ some financial difficulty/ not much financial difficulty or no financial difficulty?' The Continental countries were exceptional in the proportion reporting 'no difficulties' (42 per cent) compared to 31 per cent in the Nordic countries, 24 per cent in the Transition countries and 21 per cent in both the Liberal and Southern countries.

Figure 11.2 presents cutbacks at the level of the household. This measure focuses on deterioration in economic circumstances over the

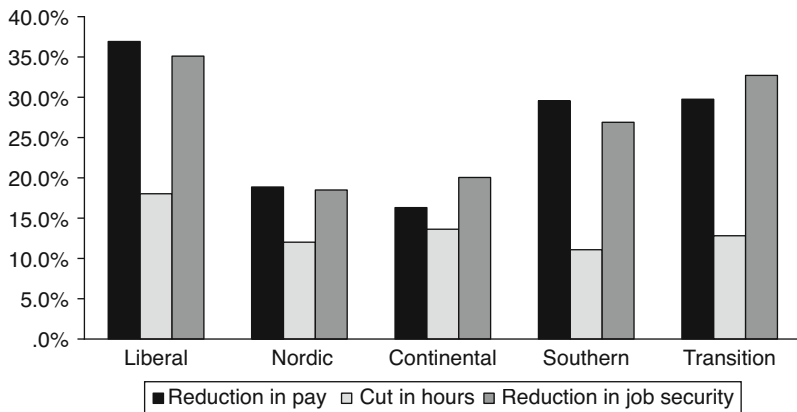


Figure 11.1 Changes in working conditions in the last three years (proportion of employees reporting)

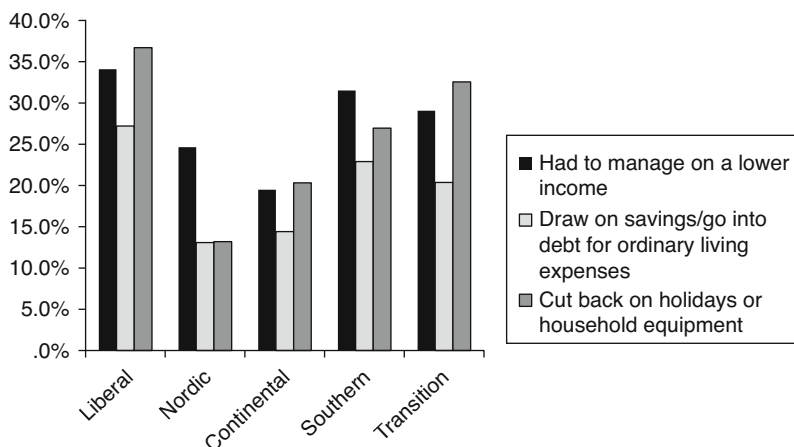


Figure 11.2 Cutbacks in households in past three years by regime

Note: Proportion scoring 5 or 6 on a six point scale where 6 = 'a great deal'.

last three years and captures whether respondents have been exposed to economic pressures in the recent past. There were three statements: 'I have had to manage on a lower household income', 'I have had to draw on my savings or get into debt to cover ordinary living expenses', 'I have had to cut back on holidays or new household equipment'. Answers were scored on a six-point scale where 6 was labelled 'A great deal' and 1 was labelled 'Not at all'. Figure 11.2 presents the proportion within each regime cluster who recorded 5 or 6 on the scale.

Similar to changes in working conditions, cutbacks at the level of the household show clear patterns by regime, with the highest proportion of employees reporting household cutbacks in the Liberal regime. For example, over 35 per cent of employees in Liberal countries said they had to cut back on holidays or new household equipment. A relatively high proportion of employees in the Southern and Transition regimes report cutbacks. Once again, those in the Continental and Nordic regimes report the lowest level of cutbacks, albeit with some variation between indicators.

6 Satisfaction with work-life balance, working conditions, and recession

What are the implications for this variation in working conditions and changes in the last three years for work-life balance? This section

explores this relationship by estimating a series of linear regression models on the scale of satisfaction with work-life. The foregoing analysis outlined the manner in which working time, working conditions, and recession impacts varied across regime types. The analytical strategy here is to examine how far regime differences in satisfaction with work-life balance can be explained by these features/characteristics. In effect the aim is to replace the regime type with bundles of variables that reflect family, employment, and macro conditions.

Table 11.3 presents selected coefficients of interest in the final model which includes all factors; the model also includes controls for regime, gender, age, children, partner's employment status and working hours.¹² Table 11.4 focuses on regime differences in satisfaction with work-life balance, and how these are related to family factors, working conditions, and recession-related changes.

Table 11.3 Satisfaction with work-life balance: working conditions and changes in the past three years factors (selected coefficients, employees in couples)

	Beta	Standardised coefficient	P value
Working hours (usual)	-.036	-.185	.000
Work evenings or nights	-.161	-.033	.011
Work overtime, short notice	-.497	-.092	.000
Work weekends	-.120	-.027	.032
Can decide start/finish times	.123	.027	.031
Job Pressure Index	-.356	-.150	.000
Health/safety at risk	-.397	-.077	.000
Job control index	.085	.113	.000
Support from colleagues	.431	.086	.000
Insecure about job ¹	-.241	-.056	.000
Difficult or very difficult to live on current income	-.301	-.052	.000
Cutbacks in family spending (index)	-.101	-.092	.000
Firm difficulties (scale)	-.056	-.035	.004
Job change: reduction in pay	.088	.018	.162
Job change: reduction in hours	.120	.020	.112
Job change: reduction in security	-.254	-.054	.000
R squared (adjusted)	0.19		
No. of cases	7891		

Notes: results from an OLS model on satisfaction with work-life balance. Includes employees in couples, 20–64. **Model also includes controls for regime, gender, age, children, partner's employment status and working hours, see Appendix Table 11.5 for full model.¹ Those who responded to the statement 'my job is very secure' with 'not at all true' or 'a little true'.

Linear regression is appealing to interpret as the coefficients represent the impact of a one unit change in the covariate or independent variable on the value of the dependent variable. However, as Table 11.3 presents results of scales as well as dummy variables, we also present standardised coefficients. Standardised coefficients refer to how many standard deviations a dependent variable will change per standard deviation increase in the predictor variable. This is useful when the variables are measured in different units of measurement (dummy variables, scales, hours of work), to provide an indication of the strength of the association of one variable or factor relative to others.

Working hours are very strongly associated with satisfaction with work-life balance: those who work longer hours are much less satisfied with the balance between work and family life. Employer-driven flexibility, in particular working overtime at short notice, but also working unsocial hours like evenings, nights, and weekends, reduces satisfaction with work-life balance. Thus, as well as the volume of hours, the scheduling of working hours (particularly at short notice), impacts family life. Employee control over scheduling – whether people have control over their own working hours – has a positive impact on satisfaction with work-life balance, albeit modest. Interestingly, control over working hours is not always positively associated with work-life balance (see McGinnity and Russell 2013; Schiemann et al. 2009), but having control over working hours may increase people's *sense* of work-life balance. Similar issues arise for contract workers in professional and knowledge intensive work (Shire and Tunte, this volume), where workers perceive that they have greater control over their work time, however this can come at the expense of long hours and a lack of demarcation between home and work time (Rubery et al. 2005).

Work pressure has a very strong, significant association with perceived work-life balance: higher pressure at work is associated with lower satisfaction with work-life balance, consistent with previous research (Gallie and Russell 2009; McGinnity and Russell 2013). Conversely, the model also shows that job control increases satisfaction with work-life balance, as found by Fagan and Walthery (2011). Having supportive colleagues is another resource which also increases satisfaction with work-life balance. A final current job-related factor is job insecurity which reduces satisfaction with work-life balance.

The model also includes factors likely to be linked to recession, such as household financial strain and negative job changes. Indicators of financial strain, or cutbacks in the past three years are also associated

with satisfaction with work-life balance, as found by McGinnity and Russell (2013). Those finding it difficult or very difficult to live on their current income are less satisfied with their work-life balance. Similarly, those who have had to cut back on family spending in the past three years are also less satisfied with their work-life balance (the indicators in Figure 11.2 are combined to create an index of cutbacks). Individuals working in firms experiencing financial difficulties are less satisfied with their work-life balance too, even after accounting for changes in household spending and financial hardship.

In terms of job changes, a reduction in job security is also associated with lower satisfaction with work-life balance, even after accounting for current security. A reduction in pay is not associated with satisfaction with work-family balance once current hardship and reductions in family spending are accounted for. A reduction in hours is not associated with perceived work-life balance, but then given that long hours are strongly associated with work-life conflict and lower satisfaction with work-life balance, this is hardly surprising.

Having considered the individual level effects of working conditions we now wish to investigate whether the distribution of these conditions can explain regime differences in satisfaction. Table 11.4 presents results from a series of nested regression models to investigate how differences in regimes are affected by the introduction of family factors, working hours, working conditions, and changes due to recession.

Table 11.4 Satisfaction with work-life balance: regime differences

	Model 1 Regime differences		Model 2 Add family factors		Model 3 Add working hours		Model 4 Add working conditions		Model 5 Add recession factors	
	Coeff.	Sig	Coeff.	Sig	Coeff.	Sig	Coeff.	Sig	Coeff.	Sig
Ref: Transition										
Nordic	.767	.000	.760	.000	.584	.000	.272	.000	.093	.189
Liberal	.361	.000	.363	.000	.103	.265	.169	.057	.181	.041
Southern	.087	.326	.076	.391	-.014	.869	.145	.083	.130	.117
Continental	.530	.000	.522	.000	.279	.000	.197	.005	.032	.657
R squared (adjusted)	0.02		0.03		0.08		0.17		0.19	
N of cases	7891		7891		7891		7891		7891	

Note: Results from an OLS model on satisfaction with work-life balance. Includes employees in couples, 20–64. This model successively includes the factors in Table 11.3 as well as controls for gender, age, children, partner's employment status and working hours. For the full models see Table 11.5 in the Appendix.

Model 1 shows that before controls, those most satisfied with the balance of time they spend on home and work are employees in the Nordic countries, 0.767 points higher on the ten point scale than those in Transition countries, the reference category. Employees in Continental regimes are also more satisfied with work-life balance, around half a point higher than their counterparts in Transition countries. Those in Liberal countries are 0.361 points higher than Transition countries: employees in Southern countries do not differ from those in Transition countries. This pattern persists after accounting for differences in the age, and family situation of the employees, so it is not due to differences in the demographic characteristics of employees in each regime. If we add working hours the regime differences are significantly reduced, and Liberal countries no longer differ from the Transition countries. The Nordic and Continental coefficients are also substantially reduced, which implies that some of the greater satisfaction with work-life balance in Nordic and Continental countries is related to shorter working hours there relative to Transition countries (see Table 11.1).

When working conditions are added to the model, regime differences are further reduced. The size of the Nordic coefficient is more than halved, suggesting that a significant part of the Nordic advantage compared to the Transition regime is due to factors such as high levels of employee job control, greater time flexibility, and lower occupational health risks. The positive effect of the Continental regime is also partly explained in this way. In contrast, the modelled difference in satisfaction between the Transition countries and the Liberal and Southern regimes are not so well accounted for by working conditions.

Finally, once we add in the financial strain variables and changes in the past three years, (model 5), neither employees from the Nordic nor Continental regimes differ from those in the Transition regime. Given the negative impact of recession on satisfaction with work-life balance, differences in the experience of recession (see Figures 11.1 and 11.2) have accounted for most of the remaining differences. In other words, lower exposure to the recession in Nordic and Continental countries has maintained higher levels of satisfaction with work-life balance.

7 Summary and conclusion

This chapter examined regime variations in working conditions, the experience of recession, and how these are associated with the interface between work and family life using individual level survey data on employees from 18 countries in 2010.

Regime theory suggests that institutional arrangements such as the involvement of the state in coordinating employment, the level of collective bargaining, as well as historical factors in the development of welfare regimes, shape the working conditions of employees.¹³ While we cannot offer a comprehensive test of such theories within the scope of this chapter, the broad patterns of working conditions observed across countries is consistent with at least some of the regime predictions. A number of key indicators of job quality vary systematically by regime, with job control and schedule control higher among employees in the Nordic and Continental regimes than in the Liberal and especially Southern and Transition countries, and job insecurity lower. Other indicators like work pressure and unsocial hours do not follow the same patterns, though in general working conditions are less favourable in the Transition countries.

In general employees in Nordic and Continental regimes also report less negative change in the past three years in either their household circumstances, the firms they work in or the jobs they do. The experience of employees in other regimes, particularly the Liberal regime, but also the Transition and Southern regimes suggest that, on average, these were much less shielded from job quality and income deterioration over the recession period.

The model results indicate that having predictable working hours that are not too long, being able to decide start/finish times and working during the standard working week enhances satisfaction with work-life balance. Having control of the organisation, policy, and pace of one's job, and having supportive work colleagues also enhances satisfaction with work-life balance. Working in a job with high levels of pressure and in a job where health and safety are at risk both have a negative effect on perceived work-life balance.

The models of perceived work-life balance also indicate that financial strain, cutbacks in family spending, firm financial difficulties, and decreased security in the past three years erode individuals' perception of work-life balance.

Satisfaction with work-life balance is higher among Nordic and Continental countries. Nested regression models suggest that this is related to working hours and working conditions in these countries, as well as the fact that employees here have been less exposed to financial and job pressures related to recession.

This is not to claim that there are no important variations within regime types. Indeed we note that there are substantial differences within regimes in exposure to the recent financial crisis, and in factors such as

the distribution of working hours: rates of part-time work vary substantially within regimes. Nevertheless the models suggest that regimes are associated with clusters of employment conditions and it is largely through these that the impact of regime on satisfaction with work-life balance plays out. When employment conditions experienced by individuals are measured directly, the residual effect of living in a particular regime on the experience of work-life balance largely disappears.

These findings are for satisfaction with work-life balance and differ somewhat from findings based on an index measuring spillover from work to family life, where country variation is less easily explained (McGinnity and Russell 2013). This may be due to the stronger link found in this paper (and by others – see Fagan and Walthery 2011) between job control and schedule control with satisfaction with work-life balance: the association is more ambiguous for the combined index. Further research could investigate the differences between the two indicators in more detail. Future research could also explicitly model gender differences in satisfaction with work-life balance, given gender differences in paid work and caring roles, and how these vary across regimes. Variation between skilled and unskilled workers and core and peripheral workers are also a key part of the literature on varieties of capitalism but were beyond the scope of this chapter.

The results presented here based on reports from individual employees suggest that regimes do vary in the quality of work and their exposure to the great recession, and that how work is organised has a substantial influence on employees' perception of their ability to balance work and family life.

Appendix

Table 11.5 Models of satisfaction with work-life balance, employees in couples, showing all controls

	Model 2		Model 3		Model 4		Model 5	
	Coeff	Sig	Coeff	Sig	Coeff	Sig	Coeff	Sig
Regime: Reference Transition								
Nordic	.760	.000	.584	.000	.272	.000	.093	.189
Liberal	.363	.000	.103	.265	.169	.057	.181	.041
Southern	.076	.391	-.014	.869	.145	.083	.130	.117
Continental	.522	.000	.279	.000	.197	.005	.032	.657
Gender: ref: Male								
Female	.113	.031	-.227	.000	-.206	.000	-.195	.000
Age	.013	.000	.011	.000	.009	.001	.006	.012
Ref: No child under 6 yrs								
Any child under 6	-.096	.145	-.108	.092	-.149	.015	-.140	.021
Partner unsocial hours ¹	-.038	.021	-.037	.020	-.031	.042	-.038	.010
Partner works over 40 hours per week	-.056	.443	.054	.443	.004	.956	-.004	.950
Working hours (usual weekly hours)			-.046	.000	-.035	.000	-.036	.000
Work evenings or nights (at least once a week)					-.180	.005	-.161	.011
Work overtime at short notice (at least once a week)					-.520	.000	-.497	.000
Work weekends (at least several times per month)					-.139	.014	-.120	.032
Can decide start and finish times (quite or very true)					.139	.015	.123	.031
Job Pressure (scale)					-.370	.000	-.356	.000
Health/safety at risk (quite or very true)					-.454	.000	-.397	.000
Job Control (scale)					.092	.000	.085	.000
Supportive Work Colleagues (true or very true)					.460	.000	.431	.000
Job Insecurity ²					-.368	.000	-.241	.000
Difficult or very difficult to live on current income							-.301	.000
Household cutbacks (Scale)							-.101	.000
Difficulties in firm in past 3 years (index)							-.056	.004
Had to take a reduction in pay, last 3 years							.088	.162
Had to work shorter hours, last 3 years							.120	.112
Had less security in job, last 3 years							-.254	.000
R squared (adjusted)	0.03		0.08		0.17		0.19	
N of cases	7891		7891		7891		7891	

Notes: The full Model 1 is presented in Table 11.4. ¹Respondents whose partners either worked overtime, on evenings, or weekends. ²Those who responded to the statement 'my job is very secure' with 'not at all true' or 'a little true'. See text for further details of scales and indices.

Notes

1. Another limitation is that the focus here is on *current* work-family tensions and there may well be other current and future 'costs' – like limited family formation or career development.
2. Note that the impact of age and number of children may be underestimated. People who find it relatively easy to integrate work and family roles may decide to have more children, and those who experience high levels of conflict between their roles as workers and parents may not be employed when their children are small, or at least adapt their work situation in order to minimise conflict (Steiber 2009).
3. For example, the German welfare state supports a more traditional male breadwinner model (or at most a modified male-breadwinner model with the female partner working part-time). In contrast the French system provides more supports for work and caring including a well-developed (though high cost) child-care.
4. Though note provision of childcare is higher in Portugal than other Southern countries (Plantenga and Remery 2009).
5. For further details on the survey, including sampling and response rates, see www.europeansocialsurvey.org.
6. See Gallie (2013: 28–29) for further details on weighting.
7. Working hours were top coded at 80 hours, following convention. Working hours tend to be longer among the self-employed, who are excluded from the current analysis.
8. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_Eppga&lang=en
9. Exact question is: please say how much the management at your work allows/allowed you: to decide how your own daily work is/was organised?/ to influence policy decisions about the activities of the organisation?/ to choose or change your pace of work?
10. Perceived job insecurity is measured as responses to the statement '*My job is secure*' with 'not at all true' or 'a little true'.
11. The item on less interesting work is not analysed here because of possible translation issues which resulted in an odd distribution of results in a number of the Nordic countries. Some of these changes may be independent of recession, and would also be reported in an economic boom (see Russell and McGinnity 2013).
12. The full model is presented in the Appendix Table 11.5
13. Other structural factors such as the sectoral distribution of employment also play an important role in working conditions (Russell et al. 2014) and are likely to affect cross-national comparisons. However the aim here was to drill below occupational and sector of economic activity to the 'micro' level, the day-to-day conditions experienced by workers.

12

Integrating Work and Political Economy

Seán Ó Riain, Felix Behling, Rossella Ciccia and Eoin Flaherty

1 Introduction

The preceding chapters have taken us on a tour of European countries, moving from national stories to within organisations, from politics of workplace reorganisation to individual and social consequences, and between work and the economy. Can an integrated sense be made of these diverse journeys across the European economy and its workplaces?

In this chapter, we briefly summarise the line of argument that has emerged through the three sections of the book and their individual analyses. We then go on to address the three questions posed in the introduction. First, we argue that a perspective based on ‘social systems of production’ can add significantly to our understandings of both work and political economy – and advances us beyond national level case studies and the overly simplified comparative categories in the Varieties of Capitalism perspective. Second, we briefly outline how the analyses in this volume advance on our empirical understanding of different ‘worlds of capitalism’ by bringing the workplace back in to the study of capitalisms. Third, we point out that the perspective developed in this volume is based on a fundamentally different methodological conceptualisation and mode of generalisation from that of the Varieties of Capitalism approach and argue that excessive parsimony can obscure as much as it reveals.

2 Capitalism, institutions, and workplaces

Our explorations began at the level of the macro-organisation of capitalism itself as Mjøset examined the possibilities for a comparative historical analysis of changing European political economies and Flaherty and

Ó Riain investigated how general dynamics of contemporary capitalism (in this case the trend towards an increasing share of income going to capital) have played out in significantly different ways in different national contexts (Denmark and Ireland).

The chapters share a number of theoretical lineages. Each derives basic categories from the Marxist framework, focused on the organisation of capital and labour and the politics of their relations. Each proceeds on the basis that there are a variety of 'social structures of accumulation' (Gordon et al. 1982) – a particular set of social arrangements which sustain capitalist growth in a specific time and place – but also sees a techno-economic aspect to these social structures of accumulation. Mjøset develops this through Perez's analysis of techno-economic paradigms and the cycles of investment and speculation through which they proceed, while Flaherty and Ó Riain seek to examine the effects of an apparently increasingly significant process of 'endogenous growth'. Both, however, see the techno-economic dimension as generating space for new social and political arrangements rather than determining those arrangements.

This is broadly in keeping with Block's view that: 'the "social structure of accumulation" comprises particular configurations of urban growth, particular types of financial and governmental mechanisms for structuring demand, and specific ways of organizing the relations between workers and employers... As long as we remember that there is not one unique social structure of accumulation at a given moment, but multiple possibilities, then this conceptualization reinforces the Polanyian idea that one cannot simply separate out economic development from the political-economic context that makes it possible' (Block 1987: 177). Indeed Polanyi is a central figure in both chapters, each of which emphasise the dynamic aspect of Polanyian analysis of the double movement between market liberalisation and the self-protective strategies of varying groups in society. While Mjøset documents how these extend across the 'fictitious commodities' of land, labour, and money, Flaherty and Ó Riain argue that while Denmark and Ireland both experience double movements that they take quite different forms.

The chapters advance a configurational concept of capitalism, formed through the mutual interaction of institutional, political-economic, and structural characteristics, and where national political economies are formed from different mixes of these characteristics. For example, Flaherty and Ó Riain find that Ireland has both a more rapid decline and a greater volatility in labour share. Despite the lower levels of social protection in Ireland, labour's share of income is more heavily influenced

in Ireland than in Denmark by the particular protections available to workers in the labour market (be those unions, skills, welfare spending, or others). In Denmark, where labour has stronger 'power resources', labour share is subject to a different politics where wages are traded off against welfare benefits and where the benefits of trade and technology are spread much more widely. The politics of labour and capital in each country is not simply a matter of different balances of power but also of the kinds of trade-offs and bargains that are made possible by their institutional configurations and political histories. This analysis confirms the importance of Mjøset's revival of Stein Rokkan's comparative analysis for use in political economy, challenging accepted models of change which rely on trans-historical concepts such as path dependency. Instead, we see institutionalised pathways emerge in certain historical contexts to generate new, diverse and contingent modes of organisation of capitalist economies.

This is precisely the starting point for the following section where the papers focus on how labour is mobilised, incorporated, regulated, and accommodated through various different institutional configurations. The mobilisation of labour has become an increasing focus in recent decades, especially given the centrality of high employment rates to economic, and increasingly fiscal, performance.

Ciccia's chapter moves the focus of the analysis to national labour regimes. She makes a case for the study of labour regimes beyond the predominance of welfare state analysis in comparative research. She investigates two dimensions of the mobilisation of labour focusing on the extent and way in which various labour force groups (women, youth, and older workers) are incorporated in paid employment through formal labour markets. Accordingly, she uses her classification of European labour regimes in four distinctive models (standard-exclusive, standard-inclusive, flexible-exclusive, flexible-inclusive) to illustrate the contingent overlapping relation between welfare states and labour market structures.

Ebbinghaus and Hofäcker's chapter explores the opposite end of this process – the politics of the demobilisation of labour, traced through an analysis of the reversal of trends towards early retirement in key continental economies. Historically, early exit pathways in countries such as Germany solved production problems and provided socially acceptable restructuring of labour forces. Welfare states provided 'politics for markets', helping labour shedding in an era when seniority at work was a significant factor in organising production. Changing this system became difficult as 'path dependence' of national regimes was

reinforced through the unintended consequences of social diffusion of these initially pragmatic arrangements and of expectation traps as well as the emergence of coalitions around these arrangements. This made the current rollback in early exit provisions all the more significant in redefining how the relationship between labour, employers and the state is institutionally configured. This roll back has been driven by integrated political strategies to avoid a shift to second best alternatives, simultaneously addressing issues in the production and welfare regimes.

The shift in the boundaries between employment and welfare is also crucial to Murphy and Loftus's analysis of Ireland's form of 'flex-insecurity', built on a dovetailing of production and welfare regimes around a particularly precarious form of employment in low wage sectors such as retail. Employer strategies have increasingly focused on shorter hours for a wider range of workers, while welfare changes both weaken protections against these forms of employment and arguably encourage workers into them. Employer and state action is 'coordinated' in this 'liberal' economy, but only to mobilise workers into an intensified precarity.

Ortiz and Riba examine how labour is accommodated within the institutions of the workplace, once workers have arrived in employment. They found four dimensions of the institutionalisation of trade union activity. Two relate to direct trade union activity – the first in collective bargaining and the second in representation at the workplace/company level. Two others relate to participation in policy-making – the first relating to trade union participation and influence in social pacts ('concertation') and the second to the presence and activity of trade unions in bi-/tri-partite councils and direct political intervention ('corporatism'). Contrary to expectations that institutionalisation enhances cooperation, of these four dimensions only 'corporatism' reduces national strike rates.

Various shared themes emerge from these four chapters. Most basically, understanding labour regimes becomes a further pillar of comparative political economy – serving as a crucial bridge between the more familiar analyses of production and welfare regimes (Ebbinghaus and Manow 2001). Furthermore, the analysis shows that welfare regimes and labour regimes, although overlapping, do not necessarily coincide. For example, Ciccía finds that both liberal and social democratic welfare states belong to the same 'half-time work-centred' labour regime model, showing that different welfare forms are compatible with similar labour market outcomes (which themselves may have different consequences for standards of living, work-family issues, and so on). The section also shows the crucial importance of gender and the life course in shaping

labour market processes in ways that are only partly explained by the type of capitalism within which they are located.

Nonetheless, each chapter reveals recognisable countries with some coherence to their political economies. The highest level categorisations – liberal, social democratic, and so on – always contain deviations from the ideal types. But these deviations are often clearly intelligible. Ireland looks broadly liberal – but with distinct departures in the areas of active labour market policy and corporatist pacts, particularly in the 1990s. The Netherlands shows a variety of internal arrangements – but can be understood as consistently negotiating a path between Christian democratic and social democratic institutions. There is diversity within categories but it is patterned diversity, not random national histories. There are complementarities across different institutional arenas – but there is a greater range of possible complementarities than many analysts have acknowledged. Configurations are crucial – and these are not binary. In some cases institutions appear to line up very coherently, in others less so. For example, the Bismarckian welfare states do not form a coherent cluster of labour regimes. Indeed, Ebbinghaus and Hofäcker note that their analysis of recent shifts in retirement patterns in these Bismarckian welfare states means that we need to reconsider ‘traditional’ regime typologies for explaining older workers’ employment patterns. But these shifts themselves can be understood as particularly challenging to the Bismarckian political economies.

The very same analysis also suggests that change is possible, although not widespread at any given time. It is clear, however, that categories such as ‘convergence’ and ‘divergence’ do little to help us understand the direction and nature of this change. Similar trends can mean different things – if Germany is moving towards a flexible inclusive labour regime, as Cicia and Ebbinghaus and Hofäcker’s analyses suggest, does that mean it is becoming more liberal or more social democratic? After all, that labour regime is present in both Sweden and the UK. Sometimes change can even result from intentional action. Ebbinghaus and Hofäcker identify ‘stay factors’ that reversed the pattern of early exit – including state policies that promoted employability of older workers and active labour market policies, including lifelong learning, as well as shifts in production regimes where the weakening of seniority provisions appears to have weakened employers’ interest in early exit arrangements. While long established in some Nordic economies which had relatively late retirement, these policies were adopted anew in countries such as Germany and the Netherlands where efforts to turn back early retirement were most determined (and most successful).

These two points about the possibilities for change and the diversity of institutional complementarities are linked. Ortiz and Riba make the important point that institutions are not just ways of channelling conflict (thus preventing it becoming open) but are also resources for social actors (in this case, trade unions) to mobilize their supporters and affiliates – precisely to wage open conflict. Moreover, it may happen that the role of institutions as resources and opportunities for open conflict are more relevant at the workplace level than at higher levels within the realm of industrial relations, since open conflict may have fewer adverse consequences for the trade union as a whole. This complexity provides us with an understanding of institutions that allows us to move past puzzles of path dependency and unanticipated change. We can ask – perhaps once again with Rokkan – what the potentials for reproduction and for change are in each institutional configuration of capitalism at any given time.

The dynamics of reproduction and change are present everyday in the micro level of organisational processes and workplace relations – after all, in order to persist institutions must be constantly ‘enacted’ and only ‘imperfectly reproduced’ (Streeck and Thelen 2005; Mahoney and Thelen 2010). The final section of the book explored exactly these processes and relations. Behling compared the historical development of different welfare capitalisms, based on an analysis of in-work employer-provided welfare benefits in Germany and the UK. Employers addressed needs of their employees that were local and outside the national interests of their time such as housing, female education, or even health care provisions – with various power implications. Meanwhile, states relied on companies to provide exactly these local services and later supported private welfare provisions in order to be able to concentrate on their own welfare initiatives. The chapter outlines how similar corporate welfarist strategies took the form of different welfare provisions in different variations of capitalism. At the same time, it questions the fixed notion of these varieties and proposes an evolutionary viewpoint on workplace deals.

In keeping with this focus on the shifting character of organisational processes, Kristensen and Lotz show that such ‘stable’ welfarist models of work organisation and employment relations are now very difficult to sustain – even for the leading companies. Through an account of the production process itself, they find that conditions of uncertainty and strategies of organisational recombination make labour more crucial than ever to corporate organisation as flexibility becomes more important and monitoring more difficult. The current crisis has made Western countries search for new ways to co-create growth and innovate based

on building open or networked innovation systems across firms and institutions to assemble the multiplicity of expertise required to develop new products, services, and processes. Increasing global interdependencies of people and processes necessitate continuous adjustments and co-developments of organizational innovation based on more fluid and overlapping collaborations and new distributed management practices and roles. However, firms themselves are also less stable and often lack the capabilities to put in place the institutions and collective supports that would sustain this kind of organisational model.

Shire and Tünte investigate how such workplaces operate in software and media companies in Germany – exploring how the deep tensions that Kristensen and Lotz observe for companies are played out for workers, increasingly through externalised labour markets and uncertain employment and careers. The negotiation of the external boundaries of the firm, across organizations and territories, is an ongoing and fundamental aspect of the contemporary workplace – profoundly challenging the conditions that underpinned many previous social compacts. They outline a number of new market uncertainties and their manifestation within work organisation, including how customers and clients become co-producers of service solutions and how increasing specialisation transforms the nature of the social division of labour from nested to distributed knowledge, from hierarchical to project organisation of work and from bureaucratic to subjective labour process control. The chapter analyses these processes in the software industry, where customers are a source of relatively long-term employment relations for project-based contract workers working in highly interactive software development work while inter-firm networks are important mechanisms for maintaining relatively high levels of regular work for those software workers in service industries with industrial origins. The media industry contains further different models of external labour markets with three dominant arrangements that vary across segments of the industry and of the media production process – freelancers who bring skills to projects, mini-jobs with workers dealing with clients, and temps who are employed to reduce costs.

Finally, McGinnity and Russell bring us back to the broad comparative frame and the consequences for labour – although, unlike Flaherty and Ó Riain who focus on class-level differences, their focus is on individual level consequences. They highlight how recession-related changes in both the family (e.g. financial pressure) and in the workplace (e.g. firm change and job changes) are associated with work-family conflict. Cutbacks in family spending, financial difficulties and layoffs at firm

level, and job changes, in terms of increased insecurity and working in a less interesting job, are all associated with higher work-family conflict. These processes vary significantly cross-nationally, although cross-national differences disappear once these key dimensions of work organisation and the experience of the recession are controlled for. But these are not only changes linked to the recession – often aspects such as instability and insecurity are associated with the networked organisations and externalised labour markets documented in previous chapters.

It is clear that the transition from a relatively stable organisational form that provided the platform for various forms of corporate welfarism to a networked form based on externalised relations and shifting internal collaborations is the dominant theme of the section. There is significant evidence – here and elsewhere – that these shifts can bring with them insecurity, intensification, and inequalities. However, the papers here also reveal a more complex story of possibilities that seem obvious and yet out of reach. At the level of employees, workers are sometimes able to construct networks with each other and with customers that give them an alternative anchor in the work process and the labour market. Organisations may construct and/or draw upon alliances – and sometimes more durable institutions – that support new forms of innovation and organisation (see Lester and Piore 2004 for example). As McGinnity and Russell show, certain national political economies do much better in generating more sustainable social relations out of these uncertain and recessionary times.

Conceptually, the papers that analyse workplace processes draw on different theoretical lineages – Behling on a constructivist strain of systems theory, Kristensen and Lotz on social pragmatism, and Shire and Tünte on the contested workplace exchanges of labour process theory. However, each offers a view of actors' interests as subject to change and partly constructed in the workplace rather than fixed and expressed through the workplace. The complexities of workers' and managers' interests cannot be reduced to 'general' and 'specific' market orientations. Instead, even the most powerful actors are faced with uncertainty and their interests are defined through their interactions with a range of actors.

Beyond these emergent themes, what have we learned from the chapters and the dialogue between them? Can we systematise these diverse understandings into an alternative perspective based on the notion of production as a sociological accomplishment? In the rest of this chapter we address this question by briefly returning to the three questions we posed in the introductory chapter.

3 Producing production: contested and constructed exchange

Focusing on production and all that entails – the mobilisation of capital and labour, the accommodation between them, the mastering of technoeconomic paradigms, and more – as a sociological accomplishment directs our attention to the social foundations of work and, by extension, the economy. However, it also brings the risk that this ‘accomplishment’ will be seen as inevitable or inherently cooperative – and therefore moving dangerously close to functionalist analysis. However, throughout the chapters of this volume, we see not inevitable success but deep and pervasive uncertainty, not harmony but tense and shifting alliances. How can we understand this process in light of our discussions?

3.1 The political economy of work: relations of production and institutional contexts

While the sociology of work has generally proceeded at the workplace level, it is clear that workplaces and the relations within them are shaped in important ways by the institutional regimes in which they are embedded. Crucial among these are production and welfare regimes – and, as we have argued, the labour regimes that link them. Overall this directs our attention to (often national) social structures of production and the institutional resources available for local negotiations – whether that is, as Ortiz and Riba remind us, for cooperation or conflict. However, typically the sociology of work generalises to the workplace sector level or jumps across the institutional level of analysis to generalising about capitalist relations. The analyses in this volume suggest that this cannot be sustained. How should we understand this connection between institutions and workplaces?

Production is sociologically accomplished on a terrain of uncertainty and power relations. This directs our attention immediately to institutions as they are simultaneously mechanisms of both uncertainty reduction and power. Both of these emphases take us far from the Varieties of Capitalism approach which has relatively little to say about uncertainty – other than to see liberal market economies as more effective at responding to it (Hall and Soskice 2001) – and sees the form of capitalism as a response to efficiency imperatives rather than power relations. Through our approach we see that uncertainty offers the possibility of creative action but we also see that creative action will be pursued in the shadow of institutional contexts and power inequalities.

Stinchcombe argues that, ‘the social structures and processes that make parts of the future solid enough to plan on are, ordinarily, what

we usually call institutions, and the process of creating solidity to the future is what we usually call institutionalization' (1997: 391). 'Rational' individual decisions can only be made when the institutional context is sufficiently developed and stable to give actors 'solid enough futures' upon which to base their decisions. But these institutions always have a cultural content, meaning both that 'rational individual decisions' are always both made possible by institutional structures and inflected with cultural meanings by them. These structures and meanings are in turn shaped by conflicts over the creation of institutions themselves (see Ó Riain, 2014 for an extended discussion). Without an understanding of the character of institutional regimes in the meso level of the political economy we can badly misread the sociology of the workplace. For example, consent to flexible work practices in the Nordic economies would be understood as a sign of weakness from a UK industrial relations perspective that emphasises 'job control'. However, in Nordic economies this may form part of a larger trade-off of flexibility for participation at work and security of employment – all to be sustained through a broader productivity and innovation pact. Each model of industrial relations brings its own dilemmas. But neither can be understood simply at the workplace level.

Therefore, workplace politics happens within different institutional contexts so that 'contested exchange' (Burawoy and Wright 1990) is shaped by institutions. As economic sociology has shown us, 'contested exchange' is also 'constructed exchange'. Those institutional contexts are themselves reproduced and transformed through the ways that they are 'enacted' (Mahoney and Thelen 2010) within workplaces – where institutions are made real every day. Important as they are, it is no surprise then that institutions themselves are the target of significant political action – struggles over specific issues are typically also struggles over the form of institutions. There is therefore a politics of the contested construction of institutions. In Burawoy's (1985) terms, there is a politics of relations of production as well as a politics of relations in production. However, to understand these relations, we need to link the study of work not only to the study of capitalist system dynamics but also to the comparative political economy of different institutional contexts for work.

3.2 The work of political economy: relations in production and actors' interests

Although not as immediately obvious, the sociology of work holds immense promise for the study of comparative political economy. It

offers a richer and more solid set of micro-foundations for meso and macro analysis than abstracted notions of interests, however defined. It is tempting to 'read off' the interests of workers and managers – often based on their class location or their 'skills' (see Streeck 2011 for a discussion of the variety of approaches to this). However, particularly when we come close to actual interactions and political negotiations, actors' interests are significantly more complex. These interests are not only pursued within workplaces but are shaped by the nature of the workplace relations and regimes in which workers and managers participate. Workplace regimes help define actors and their 'interests' – but those interests come with dilemmas attached. This is the case in the new workplace where there are deep tensions for both employers (e.g. Behling, Kristensen, and Lotz) and workers (e.g. Shire and Tünte; McGinnity and Russell).

For example, an understanding of production politics in comparative-historical perspective provides the possibility for a richer analysis of macroeconomic bargaining. The comparative literature on corporatism has always paid attention to employer and state concerns with competitiveness. In practice, this has almost always entered the analysis through a focus on cost competitiveness or, at best, unit labour costs, incorporating some attention to productivity. However, comparative workplace studies suggest that apparently similar actors – employers, labour, manufacturing, unions, and so on – enter the political process in different capitalist economies with quite different interests, capabilities and even horizons of time and space. The existing wage profile of a workforce shapes employer interests in working time, productivity, and training bargains. The level of employment security – and its organisation at company, sectoral, and national levels – shapes employer time horizons. The company and sector level capacities for negotiation and decision making may well shape the kinds of bargains struck at the national level. Managers, trade unionists, professional organisations, and others must consider how various agreements and measures will be accepted by their constituencies and how these agreements will play out in the workplaces to which they must return. The collective actors of the macroeconomic and corporatism literatures are in practice complex, conflictual, and conflicted characters with multifaceted interests.

The approach of the sociology of work to worker and manager interests is also enriched by the engagement with comparative political economy. Sociological analyses of work generally saw 'capitalism' as the context for those workplaces. In the process, the concept of worker interests was often fixed and the focus on how worker consent was produced

generally glossed over the question of what workers were consenting to, assuming that it was to 'capitalism'. However, if capitalism is varied then the 'deal' that is being consented to will also vary.

A more complex notion of interests (and therefore of possibilities), linked to the notion of actors in meso and macro politics as 'collective actors' (even if they are individual managerial elites) provides an analysis of institutional change that is more grounded and realistic. It puts meat on the bones of the concept of the ongoing enactment of institutions and their imperfect reproduction (Streeck and Thelen 2005). Workplace regimes are arenas of imperfect institutional reproduction and permanently contested exchange. Rooting actor interests in understandings of workplace regimes allows us to move beyond overly deterministic notions of 'institutional complementarities', combining stability with ongoing instability and always presenting the possibility of change.

4 Changing capitalisms

How do our analyses allow us to better understand capitalisms today? Thelen (2014) has recently examined the 'varieties of liberalisation' in contemporary worlds of capitalism, arguing that while liberal economies have seen deregulation and Bismarckian continental economies have experienced dualisation that the Nordic social democracies have generated a new form of 'embedded flexibilisation'. While all involve aspects of liberalisation, each implies a very different path to a more 'liberal' economy. How does this picture fit with the analyses in this volume?

Table 12.1 summarises the findings in the chapters on the institutionalisation of labour regimes by Ciccia, Ebbinghaus and Hofäcker, and Ortiz and Riba. The table shows only those countries covered in all three analyses. We can see certain clear patterns. As is often the case, the Nordics stand at one end of the spectrum while the UK stands at the other. However, it is also clear that they share a transition to a more 'flexible' labour market that is focused on inclusion of workers from different demographic groups across the life course. Hidden beneath these flexibilities are very different levels of worker representation and economic inequality within those labour markets (as discussed, for example, by Flaherty and Ó Riain). Indeed, the evidence suggests a clear pattern also for most of the post-socialist economies (not shown here) with standard-inclusive employment regimes, late exit from the labour force and low levels of concertation.

Nonetheless, there is striking diversity across the countries here, which are broadly representative of the different worlds of European

Table 12.1 Comparative labour regimes

	Mobilisation of Labour (Ciccia)	Demobilisation of Labour (Ebbinghaus and Hofäcker)	Industrial Relations (Ortiz and Riba)
Denmark	Flexible-inclusive	Late exit	Classic Corporatism
Sweden	Flexible-inclusive	Late exit	Classic Corporatism
Netherlands	Flexible-inclusive	Path reversal towards late exit	New social pacts
Germany	Standard-inclusive	Path reversal towards late exit	Classic Corporatism
France	Standard-exclusive	Early exit	Classic Corporatism
Italy	Flexible-exclusive	Early exit	New social pacts
Ireland	Standard-inclusive	Late exit	New social pacts
UK	Flexible-inclusive	Late exit	Low concertation

capitalism – social democratic, Christian democratic, Mediterranean, and liberal. While the liberal UK appears to follow a ‘deregulation’ strategy, ‘liberal’ Ireland has strong elements of standard employment and social pacts played a key role until 2008 (Ó Riain, 2014). While France seems to chart a classic continental path (arguably compatible with dualisation), there is ample evidence of change in the continental economies – and in diverse directions. If Germany is liberalising its economy in order to drive the mobilisation of labour, the Netherlands has adopted a strategy where working hours are radically flexibilised (Ciccia and Ó Riain 2013) and the political economy may be moving towards ‘embedded flexibilisation’. There are recognisable differences across the worlds of capitalism. Some countries are relatively stable exemplars (Sweden, Denmark, France, and the UK). Others sit perennially on the boundaries of different worlds (e.g. Netherlands, Ireland). There are others where there are interesting examples of initiatives to reinvent key elements of the labour regimes – for example through attempts to push back retirement in Germany and the Netherlands, or new social pacts in the periphery and other economies in the 1990s.

The chapters in this volume question some key analytical categories in contemporary political economy. Each system has a combination of coordination and liberal so that the distinction doesn’t help us with understanding the dynamics of the different economies. Murphy and Loftus show that liberal Ireland had little to do with ‘deregulation’ but

with powerful political and corporate efforts to simultaneously remake labour markets and welfare states. Flaherty and Ó Riain document how ‘non-liberal’ forms of political regulation (unions, high tech promotion, welfare payments) are more important to workers in liberal Ireland than in social democratic Denmark, where they are more widespread. Similarly, Kristensen and Lotz show the radical uncertainty that lies at the heart of ‘embedded flexible’ strategies in Nordic corporations. The Nordic model contains many market mechanisms, in permanent tension with the institutions that ‘embed’ and enable them.

We must then look for different dynamics to the worlds of political economy – focusing less on what the key clusters are than on what processes characterise the different kinds of capitalisms that we find in Europe and beyond. The analyses in this volume suggest that on any one dimension there are a number of key strategies – the policy world is not infinitely open. Table 12.1 shows both that these strategies can cluster together across dimensions but also that creative recombination is possible. Institutions can be interlocked through their complementarities, but these interlocks are always imperfect and contingent. The debate over variety and commonality in capitalisms (Streeck 2011) is miscast. There are strong common elements across capitalist economies and markets are only one of those common elements. But these common elements, including markets, are reconfigured in crucial ways on an ongoing basis. Contingent complementarities between the various building blocks of capitalism and varying configurations of those building blocks make diversity and commonality two sides of the same coin, not two opposing processes.

As we discussed above, the analyses in this volume show the complexity of actors’ interests and the crucial role of configurations of institutions in ‘stabilising’ those interests – or, as Stinchcombe would have it, in creating ‘solid enough futures’ for actors to act upon. Kristensen and Lotz show the critical importance of the uncertainty facing contemporary organisations – even where they have significant ‘power over’ other actors, they may lack the ‘power to’ get much of what they want done. This can translate into deeply precarious work for even highly skilled workers, as Shire and Tünte show. But these are the very workers who Kristensen and Lotz argue are crucial to networked innovation. Capitalism is characterised not only by significant power inequalities but also – and often simultaneously – by deep failures of collective action. This is as true in the ‘innovative workplace’ as it is in the systemic failures of the financial crisis. While inequality in wealth and income reaches new highs, our studies also show overlapping interests – especially around

common interests in social reproduction even if new social risks seem to be quite diverse and unequally and differently distributed among workers. Nonetheless, the form of national capitalism can make a significant difference to workers – as McGinnity and Russell show in their explanation of the large differences in work-family conflict across the worlds of capitalism, which are rooted in differences in the organisation of the workplace itself. There are many complex projects of economy and workplace building underway in Europe – that can be systematically analysed, even if they cannot be reduced to simple binaries.

5 Social science, context, and creativity

But does this complexity mean a retreat from the scientific project of generalisation? The Varieties of Capitalism approach had offered a parsimonious distinction between coordinated and liberal political economies that was mirrored in a set of binary distinctions across many levels of analysis. This reached down to the workplace which were divided according to whether workers' skills were general or specific. The perspective adopted in our synthesis of this volume offers something different. We see a diversity of social systems of production, where different social relations and institutional elements are knit together into different configurations of capitalisms – and are reproduced and changed in the everyday dynamics of workplaces.

We have seen throughout this volume that an attention to local complexity is crucial to understand the workings of the general processes of capitalism. Many of the binaries that define our categories break down quickly when faced with the real world of the workplace. And some of the categories simply blind us to crucial elements of capitalist organisation – the extensive coordination in liberal economies, for example. Whatever the ambition of universal generalisability, the goal is weakened if the concepts do not do the work for which they are designed. Parsimony can be the enemy of explanatory power and needs to be balanced against the demands of complex variation in social life. Mjøset's chapter at the opening of this volume offers an alternative view of an analysis of the historical complexity of political economies and workplaces, inspired by Stein Rokkan and rooted in a relatively limited set of key concepts and a comparative historical analysis of how these processes interact.

Many of the studies that have captured these dynamics have been classic national case studies of the workings of production systems in specific contexts, and how they have evolved over time. Studies such as

Cole's (1979) analysis of Japanese and US car factories and later of teams in those two countries and Sweden (Cole 1991) revealed the subtle but profound differences underpinning work in different countries – even where such powerful structuring forces as assembly lines, crafts, and teams were held in common. Dore (1986) explored the historical interplay of social structure, institutions, culture, and organisational strategies in shaping a distinctive production system in Japan, built around key 'flexible rigidities'. We have included some similar close analyses of workplace and organisational dynamics in this volume. But we have also sought to link them with different strands of research – including comparative analysis of 'small N' groups of countries and variable-centred analyses (Ragin 2008). These analyses allow us to examine directly how different political economies vary along different dimensions of the organisation of labour, and in the different configurations of how similar institutions are put together. A dialogue across the boundaries of quantitative and qualitative approaches is crucial. More important still is to connect the study of detailed cases and the comparative analysis of the contexts of those cases – a connection that can bring political economy and sociology of work closer together.

In the process we may lose the ambition of orthodox economics, or even the varieties of capitalism school, to generalise to all capitalist economies at all times. But such an ambition too often leads to caricature. The complex analysis of capitalism in context offers something different – the opportunity to generalise to the key contexts through which capitalism is organised and to make those generalisations based on rich understandings of the cases within those contexts. In the process, as we have seen, we will generate analyses that provide richer accounts of the uncertainties and contingencies of capitalist workplaces and political economies. We may well, by being less ambitious in principle, generate much deeper and useful knowledge in practice.

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Index

- active ageing, *see* active labour market policy; old-age employment
- active labour market policy (ALMP)
 - elements, 75, 94–5, 100, 112, 116
 - origins in Europe, 75, 81, 92, 94–6, 168, 225
 - see also* flexicurity; training; unemployment; welfare
- agricultural sector, *see* primary sector
- atypical employment
 - definition, 71–2, 107–9, 112, 183–4, 194–5
 - effects, 71–2, 100–1, 105–6, 109–11, 194–9
 - forms, 59, 71–3, 107–9, 184–9, 189–94
 - see also* employment, standard employment; part-time employment; self-employment; zero-hour contract
- austerity, 41, 107, 181
 - see also* financial crisis; welfare
- Austria
 - labour regime, 73–4
- autonomy
 - for mental health aspects, *see* quality of life; work-life balance
 - as worker, 1, 172, 179, 196–8, 204
- Belgium
 - labour regime, 72–3
- Beveridge, William, *see* welfare; welfare regimes
- Bismarck, Otto von, *see* welfare; welfare regimes
- Britain, *see* United Kingdom
- business
 - associations and employer representation, 8, 122–3, 139, *see also* industrial relations
 - corporate governance, 46, 61, 89, 100, 150, 156, 172, 179–80
 - corporate strategy, 8, 12, 38, 72, 81, 89, 94–6, 148, 152–3, 155–6, 158–62, 182, 189–94, 224
 - multinational/transnational, 7, 13, 45, 47, 164–70, 177–8, 180
 - see also* corporate social responsibility; networks, businesses; small and medium enterprises
- Cadbury
 - company, 154–7
 - Edward, 155
- capitalism
 - alternatives and critiques, 6–10, 24–31, 64–6, 232–5
 - definition, 1, 4–5, 154
 - organisation of capitalism, 3–4, 6–10, 19–21, 21–3, 42–3, 235–6
 - see also* labour regimes; varieties of capitalism
- care work, 59, 63, 70, 100, 102, 104, 107, 113, 202, 205–6
 - see also* health care benefits
- Central Europe and Eastern European regime, *see* varieties of capitalism
- Christian democracy, 1, 43, 55, 71, 225, 233
 - see also* labour regimes; varieties of capitalism; welfare regimes
- class
 - class struggle, 2, 16, 41–2, 149
 - middle class, 31, 149
 - working class, 25, 33, 58, 71–2, 149, 156, 159
- commodification, 3, 27–8, 43–4, 47, 59–60, 60–2, 64, 75–6, 148
 - see also* marketisation; welfare
- company, *see* business

- continuous vocational training, *see*
 human capital; skills; training;
 vocational education
- coordinated market economy, *see*
 varieties of capitalism
- corporate social responsibility (CSR),
 96, 150–1, 152–3, 155–6, 157–8,
 158–62, 180
see also business; employee welfare
- corporation, *see* business
- Czech Republic
 active labour market policies
 (ALMP), 94–6
 early retirement pull factors, 85–7
 early retirement push factors, 87–91
 employment and early exit trends
 (men 60–64), 81–4
- decommodification, 13, 58–9, 60–2,
 76, 145, 148, 159
 feminist contributions, 61–2
see also commodification; welfare
- Denmark
 active labour market policies
 (ALMP), 94–6, 168
 case study of engineering
 multinational company, 177–8
 case study of pharmaceutical
 multinational company,
 176–7
 comparison with Ireland on labour
 share trends, 46–57
 early retirement pull factors, 85–7
 early retirement push factors, 87–91
 employment and early exit trends
 (men 60–64), 81–4
 ‘flat hierarchies’, 172
 labour regime, 74–6
 upsurge in small multinationals
 (SMNCs), 165
- deindustrialisation, *see* Fordism;
 industrialism
- Dore, Ronald, *see* flexible regidities
- Durkheim, Émile, 16, 26, *see also*
 Rokkan, Stein
- early retirement, *see* retirement
- economy
 economic development, 3, 5
 economic recession, *see* financial
 crisis; recession
 export/import, 19, 42, 48–51, 199
 GDP/GNP, 41, 46–8, 48–51, 70,
 94–5, 126–7, 134–6, 210
see also business; employment;
 globalisation; innovation;
 labour market; labour share;
 state and small states
- education
 general education, 41, 59, 63, 68, 70,
 77, 88, 151, 156–7, 160, 185–7
see also skills; vocational education
- embeddedness, 28, 33, 42–3, 158–62,
 232–6
see also Polanyi, Karl
- employee representation, *see*
 industrial relations; workplace,
 industrial relations
- employee welfare
 concept, 13, 45–7, 158–62
 welfare benefits, 151–3, 155–8
see also welfare
- employment
 female, 61–2, 63–4, 66–71, 71–2,
 73–4, 74–6, 102–6, 107–9, 183,
 206–10, 212–16, *see also* gender
 legislation, 64–6, 72–3, 73–4, 85–7,
 106–7, 109–11, 112, 122–4,
 195–9, 229–32
 old-age employment, 74, 81–4, 87–91,
 94–7, 158, *see also* retirement
 precarious employment, *see* atypical
 employment; precarious
 employment
 relationship, 3–4, 6–10, 13, 51, 60,
 64–6, 87–91, 145–7, 157–61,
 183–8, 188–93, 192–8, 205–9,
 211–15, 222–7, 228–31
 standard employment, 11–14, 59–60,
 61–2, 62–6, 66–71, 72–3, 73–4,
 89, 122–4, 158–62, 183–9, 223–8
 unstandard employment, *see*
 atypical employment; self-
 employment
 youth, 63–4, 66–71, 71–2, 72–3,
 74–6, 155, 212–16
see also labour market
- enterprise (business), *see* business

- Esping-Andersen, Gøsta, 2–3, 58–9, 61
- Europe
 flexicurity model, 99–101
 labour share trends, 39–40
 models of trade unionism, 120
 working conditions, 206–10
 work-life balance satisfaction, 206–10
- European Social Survey (ESS), 206–16
 see also methodology
- European Union
 Maastricht Criteria, 137
- family, 14, 43, 62–6, 70, 75, 77, 146–7, 227–8
 familialistic labour regime, 71–2
 and influence on own work, 99, 149, 169, 195, 204, 206
 see also care work; employment; gender; labour regimes; welfare; work-life balance
- financial crisis (2008), 22, 34, 48, 67, 74, 82–4, 88, 97, 98–9, 169, 227, 234
 in Ireland, 106, 108–9
 for other economic crises, *see* recession
 and work-life balance, 202, 210–12, 212–16, 217–18
- financialisation, 1, 22, 41, 65, 89
 see also marketisation
- Finland
 labour regime, 73–4
- firm, *see* business
- flexible rigidities, 4, 236
- flexicurity, 75, 98, 99–101
 definition, 75, 100, 116
 flex-insecurity, 98–9, 99–106, 114, 224
 see also employment; labour market
- Fordism
 Fordism, 6, 21–3, 67–71
 Fordist organisation of labour, 11, 59, 62–3, 64–6, 67–71, 73–4
 post-Fordism, 6, 21–3, 64–6
 see also economic development; industrialism
- France
 active labour market policies (ALMP), 94–6
- early retirement pull factors, 85–7
 early retirement push factors, 87–91
 employment and early exit trends (men 60–64), 81–4
 labour regime, 72–3
- gender
 atypical employment, 108, 200
 Irish labour market, 104, 108
 ‘optional’ labour force groups, 63–4
 women’s work in European labour regimes, 60–77
 work-life conflict, 204
 see also employment, females; inequality; male breadwinner model
- Germany
 active labour market policies (ALMP), 94–6
 case study of creative industry, 189–94, 194–9
 case study of high-tech (IT) industry, 189–94, 194–9
 comparison with UK on employee welfare, 158–62
 early retirement pull factors, 85–7
 early retirement push factors, 87–91
 employee welfare, 148–53
 employment and early exit trends (men 60–64), 81–4
 employment protection, 182
 expansion of atypical employment, 184–9
 external employment risks, 194–9
 external employment strategies and practices, 189–94
 knowledge-based industries, 184–9
 labour regime, 73–4
- global environmental regime, 33
- globalisation
 economic, 21–3, 118, 169
 employment, 45, 52, 88, 121
 foreign direct investment, 42, 46–8, 51–5, 165
 general considerations, 4, 7, 65
 globalisation pressures, 11, 39, 45, 121, 209–10
 trade, 13, 19–20, 22, 37, 46, 48–51
 see also business; economy

government, *see* state

Great Britain, *see* United Kingdom

Greece

labour regime, 71–2

Hall, David, *see* varieties of capitalism

Hayek, Friedrich, 25, 30, 36

health care

benefit, 152, 157, 226

for care work, *see* care work

human capital, 7, 41–2, 100, 166, 168–9

see also education; skills; training

Hungary

active labour market policies
(ALMP), 94–6

early retirement pull factors, 85–7

early retirement push factors,
87–91

employment and early exit trends
(men 60–64), 81–4

income

fringe benefits, *see* employee
welfare, welfare benefits

income policy, 29, 42, 59, 85,
109–11

low wage and minimum income,
29, 52–5, 60, 99, 101–7, 108–9,
114, 128–30, 153, 157, 186,
213, 217, 219, *see also* atypical
employment

national income, 11, 39–42, 46–8
labour share, 48–51
marketisation, 51–5
social protection, 221–2

pay and wages, 6, 41, 65–5, 71–2,
95, 109, 122–4, 194–5, 197,
200, 210–16

see also industrial relations,
collective bargaining;
inequality, income inequality

industrial conflict, *see* trade union,
strike

industrial relations

collective action, 101, 114, 119–21,
138–9

collective agreement, 52, 123,
128–9, 147, 198

collective bargaining, 12, 28, 31, 60,
101, 114, 118, 121–4, 131–2,
134–5, 217, 224

criticism of national typologies, 121
employee representation, 12, 151,
153, 160–1, 224, 232

in general, 12, 54, 56, 61, 106,
120–1, 154, 166, 226, 230, 234
see also trade union; workplace,
industrial relations; works
council

industrial welfare, *see* employee
welfare

industrialism

deindustrialisation, 88, 118, 184–9

industrial revolution, 16–18, 20,
21–3, 27–8

industrial sectors, 3–4, 64–6, 68–9,
71–2, 73–4, 168, 175, 184–9
manufacturing, 71–2, 168, 184–9,
210, 231

inequality

gender inequality, 67, 108, 200,
216, 218, 229

income inequality, 38–9, 39–42, 56,
108, 232, 234–5

welfare inequality, 106, 199

see also gender; income; male

breadwinner model; welfare

information and knowledge society,
22, 51, 164, 183–9

see also knowledge sector

innovation

general aspects, 8, 13, 181, 191

incremental innovation, 5, 170–72

innovation systems, 20–1, 29, 37,
48, 158, 170–80, 228, 234

networked innovation, 164–70

radical innovation/creative
destruction, 5, 21

see also network, of innovation;
technology

institution

constraints, 3, 5–7, 21–3, 24–31,
41, 44–6, 60–2, 87–91, 113–14,
147–8, 158–62, 166, 217,
229–30

design, 6–10, 27, 30, 57, 60–2, 96–7,
119–21, 146, 180–81, 221–9

- institution – *Continued*
 - economic institutions, *see* business
 - institutional change, 19–21, 44–6, 62–6, 94–6, 96–7, 98–9, 170–80, 206–7, 221–9
 - institutionalisation, 6, 12, 29, 59, 81–2, 119–21, 146, 221–9, 229–30
 - political institutions, *see* political party system; state
 - welfare institutions, *see* welfare
- interests
 - employer interests, 3–4, 6–7, 28–9, 41, 87–91, 174, 225, 228, 232–4
 - interest groups, 41, 43–6, 122, 133, 164
 - political interests, 3, 6–7, 28, 149, 232–4
 - worker interests, 1, 3, 5–7, 41, 52–5, 66, 122, 133, 198, 232–4
 - see also* business; industrial relations; state
- international relations, 7, 15, 20–3, 29–31, 155
- in-work benefits, *see* employee welfare
- Ireland
 - activation policies, 111–12
 - active labour market policies (ALMP), 94–6
 - comparison with Denmark on labour share trends, 46–57
 - early retirement pull factors, 85–7
 - early retirement push factors, 87–91
 - employment and early exit trends (men 60–64), 81–4
 - flexicurity model, 100
 - labour regime, 73–4
 - patterns of low pay and underemployment, 101–6
 - precarity in retail sector, 107–9
 - risk of poverty patterns, 104–6
 - social protection patterns, 109–12
 - weakening of employment protection, 106–7
- Italy
 - active labour market policies (ALMP), 94–6
 - early retirement pull factors, 85–7
 - early retirement push factors, 87–91
 - growth of multinationals, 168
 - labour regime, 71–2
- IT sector, 14, 50, 188, 191, 197, 227
- Japan, 4, 179
- job satisfaction, 108, 196, 202, 204, 206–7, 213–16, 217
- Keynesianism, 31, 65
 - see also* state intervention
- knowledge sector, 22, 51, 164, 184–9, 194–9
 - classification, 184
 - see also* IT sector; media sector; service sector
- Korpi, Walter, 33, 118–20
- Krupp
 - Alfred, 149
 - company, 148–51
- labour market
 - dual labour market, 72–4, 101, 110–11, 183–4, 186, 194, 205, 232–5
 - external labour market, 14, 90, 169–70, 182–4, 187–8, 190, 197–8
 - flexible labour market, 56, 66, 68, 71–2, 74–6, 88–91, 95, 99–100, 106–7, 182–3, 209, 223–5, 230, 232–4
 - internal labour market, 14, 90, 173, 182–4, 187–8, 190–94, 197–9
 - marginal labour market, 59, 69, 71–2, 74, 166, 184–7, 194, 200, 205
 - see also* labour regimes
- labour process, 3–4, 147, 152, 158, 161, 227–8
- labour regimes
 - conceptualisation, 11, 58–62, 62–6, 205, 223–8, 231, 232–5
 - definition, 62, 66–71, 205
 - flexible-exclusive familialistic (Greece, Italy, Portugal, Spain), 71–2
 - flexible-inclusive half-time work centred (Denmark, Netherlands, Norway, Sweden, Switzerland, United Kingdom), 74–6

labour regimes – *Continued*

- labour regimes at the workplace
 - level, 6–10, 113–14, 204–10, 210–12, 212–16, 229–32, 232–6
- standard-exclusive one generation (Belgium, France), 72–3
- standard-inclusive Fordist (Germany, Ireland, Finland, Austria), 73–4, 99–101, 189–94
- see also individual countries for different regime typologies; varieties of capitalism; welfare regimes*
- labour share, 11, 39, 40, 47–8, 50–4, 222–3
 - see also trade union*
- legitimacy
 - economic, 59, 62, 75
 - political, 19–20, 24, 26, 28, 30–1, 131, 158–62
 - social, 8, 158–62
- liberal market economy, *see varieties of capitalism*
- life-long learning, 94–6, 116, 224
 - see also skills; training; vocational education*
- lone parent, 64, 110, 112
- Luhmann, Niklas, 145–6, 161–2
 - see also systems theory*
- male breadwinner model, 63, 104, 206, 220
 - see also employment, standard employment; gender; inequality, gender inequality; welfare*
- market (general aspects), 3, 5, 8, 14, 24–5, 27, 38–9, 42, 43–8, 57, 64–5, 73, 99, 145–6, 162–3, 169–70, 174, 181, 185–9, 205, 223, 234
 - liberalisation, 1, 10–11, 39, 45–6, 183–4, 222, 232
 - marketisation, 5, 38, 44, 45, 48–51, 57, *see also financialisation*
 - social embeddedness, 42–3, 229–32
 - see also embeddedness; varieties of capitalism*
- Marx, Karl, *see class*

- media sector, 198
 - see also IT sector; knowledge sector*
- Mediterranean countries, *see labour regimes; varieties of capitalism; welfare regimes*
- methodology
 - cluster analysis - results, 130–3
 - for comparative research of political-economies, 2, 4–8, 15–16, 18–21, 24–31, 33–5, 59–60, 139, 218
 - Database for Institutional Comparisons in Europe (DICE), 124
 - factor analysis -model, 125–7
 - factor analysis -results, 128–30
 - methodological nationalism, 32
 - Principal Component Analysis (PCA), 66–71
- migration and migrant workers, 42, 77–8, 183
- minimum wage, *see income*
- money, 21, 24, 26–33, 44, 222
 - see also income*
- multinational company, *see business, multinational/transnational company*
- nation-building
 - political, 16–18, 20–1, 29, 31–4, 225, 235
 - social, 7, 20–1, 29, 31–4, 158–62, 226
 - see also state; welfare*
- Netherlands
 - active labour market policies (ALMP), 94–6
 - early retirement pull factors, 85–7
 - early retirement push factors, 87–91
 - employment and early exit trends (men 60–64), 81–4
 - labour regime, 74–6
- network
 - businesses, 8, 13, 43, 188, 194–5, 227–8
 - of innovation, 164–5, 167, 171, 175, 197–8, 226–7, 234
 - labour markets, 172, 188–91, 228
 - politics, 18–19, 24
 - social, 42, 172–4, 191, 228

- Nordic countries, *see* labour regimes;
varieties of capitalism; welfare
regimes
- Norway
labour regime, 74–6
- occupational welfare, *see* employee
welfare
- old-age employment, *see* employment;
retirement
- old-age income, *see* pension
- part-time employment, 66, 67, 68–70,
74–5, 101–6, 107–8, 110–11,
114–16, 183, 185–7, 200, 208,
218
see also atypical employment;
working time; zero-hour
contract
- passive labour market policies (PLMP),
94–6
see also active labour market policies
(ALMP)
- pension, 58–9, 68, 70, 72, 77, 91–2,
140, 148
disability, 81, 85, 93
occupational, 47, 92, 152–3, 157,
160
private, 92
state, 85–6, 93, 148, 160
- Perez, Carlota, 21–3
- Polanyi, Karl, 2, 10–11, 15–16, 24–31,
36–7, 43–6, 57, 222
critique of neoliberalism, 25–6
double movement, 24–31, 43–6
embeddedness, 27, 44–6, *see also*
embeddedness
revision of his framework, 26–31
- policy
economic, 12, 28–9, 39, 41, 92, 98,
107, 181, 184, 189, 210, 234
political, 52, 72–3, 99, 122, 128–30,
136–7, 181, 205, 210, 224, 234
social, 3, 12, 61, 76, 92, 97, 110–11,
119, 198
welfare, 39, 47, 76, 82, 99, 198, 210
- political economy, 1, 3, 5, 15, 221–4
of capitalism, 19, 25, 32–3, 36, 39,
42–3
conceptualisation, 7–8, 12–13,
230–34
of early retirement, 98
of trade unionism, 122
of welfare, 144–6, 162
see also institution; labour regimes;
varieties of capitalism; welfare
regimes
- political party system, 15, 17, 19–20,
23, 27–8, 30–2, 52, 54–5, 143,
149
- Portugal, 17, 40
labour regime, 68, 71–2
precarious employment, 114–16
trade union activity, 131–2, 134
work-life balance and job
satisfaction, 207, 220
- post-industrialism, 1, 3, 6, 50–1, 55–6
see also Fordism
- post-World War II
Cold War and aftermath, 2, 16–17,
19, 28–9, 33
post-war employment, 22, 32–3, 39,
59, 63, 99–100
post-war welfare state, 32–3, 63,
99–100, 153–4, 160–61
see also economic development
- poverty, 75–6, 101, 104–6, 108, 111,
153, 156, 204, 218
- power, 6, 8–9, 13, 20, 25, 31, 42, 51–7,
101, 123–4, 127, 138–9, 144–5,
148–9, 159–60, 172, 174–5, 183,
210, 223, 228–9, 234
resources, 2, 7, 54–6, 119–20, 223
- precarious employment, 1, 12, 66, 71,
99, 101, 104–7, 109–12, 114,
183, 224, 234
see also atypical employment
- primary sector, 28, 37, 69, 108, 155
- private sector, 75, 93, 101, 136, 141,
152
see also IT sector; knowledge sector;
media sector; service sector
- public sector, 48, 73, 75, 165–6, 210
see also state as employer
- quality of life, 41, 101, 152, 201–4,
210, 218
see also work-life balance

- recession and economic crisis, 14, 22, 34, 48, 64–5, 72, 85, 88, 92, 95–7, 101, 118, 133
 - for 2008 recession, *see* financial crisis
- regimes, *see* labour regimes; varieties of capitalism; welfare regimes
- regulation, 21, 29–31, 44, 46, 59, 62, 72–3, 122–3, 180–81, 194–9, 205, 234
 - historical phases, 64–6
 - measurement, 67–71, 89–90
 - regulation school, 6–10, 64–6
 - see also* state, regulation
- religion, 16–17, 154, 158–62
- retirement
 - age, 62, 70, 72, 81–4, 91–4, 158
 - early retirement, 11–12, 72, 87–91, 223
 - income, *see* pension
 - policy, 59, 63, 85–7, 87–91, 91–4, 225, 233
 - reversal early retirement through retention strategies, 94–6
 - reversal early retirement through welfare retrenchment, 91–3
 - and welfare regimes, 85–7
- Rokkan, Stein, 10, 15, 16–18, 20, 31–2, 34, 223, 226, 235
 - see also* Polanyi, Karl
- Rowntree
 - company, 154–7
 - Joseph, 154–5
- Scandinavia, *see* labour regimes; varieties of capitalism; welfare regimes
- Schumpeter, Alois, 21, 36–7
- secondary sector, *see* industrialism
- self-employment
 - bogus self-employment, 71, 196–8
 - general aspects, 67–70
 - solo self-employment, 183, 186–9, 190, 192, 194–9
 - see also* atypical employment; employment
- service sector and work, 48–51, 65, 68–71, 72–3, 74–6, 101–6, 183, 184–9, 227
- international service companies, 165–7, 170–80
 - see also* IT sector; knowledge sector; media sector; private sector; public sector
- single parent, *see* lone parent
- skills, 4–5, 14, 42, 50, 52–3, 64–5, 73, 158
 - and capitalism, 222–3, 227, 231, 234–6
 - and early retirement, 88–9, 95
 - in IT and media sectors, 182–4, 186, 188–91, 197–8
 - in networked innovation, 168–9
 - and precarious employment, 100, 104, 114
 - and work-life balance, 209–10, 218
 - see also* atypical employment; human capital; training; vocational education
- small and medium enterprises (SMEs), 48, 71, 164–5, 168, 179
 - see also* business
- social democracy, 3, 38, 43–4, 51–5, 149, 168, 225, 232–5
 - see also* labour market regimes; varieties of capitalism; welfare regimes
- social partnership, *see* industrial relations
- social security, 44, 63, 91, 98, 103–5, 113, 182, 195
 - see also* welfare
- software sector, *see* IT sector
- Soskice, David, *see* varieties of capitalism
- Southern regime, *see* labour regimes; varieties of capitalism; welfare regimes
- Sozialstaat, 145, 146
 - see also* welfare
- Spain
 - labour regime, 71–2
- standard employment, *see* employment
- state, 16, 22–3, 29, 41–3, 100, 122–3, 145, 148, 226
 - deregulation, 39, 45–6, 66, 74, 100–1, 183, 224, 232–4

- state – *Continued*
 developmental, 43
 as employer, 73, 75, 107
 government, 4–5, 16–17, 19–20,
 54–6, 73, 92–3, 96, 107, 122,
 125, 135–7, 143, 222
 intervention, 4, 23, 25, 27, 31, 42–3,
 59, 65, 76, 94, 160
 regulation, 3, 8, 25, 42–3, 46–7, 54,
 63, 116, 153
 small states, 19, 38, 45, 48, 53–4, 88
see also nation building; political
 economy; political party
 system; welfare state
- Streeck, Wolfgang, 5, 8, 182, 226, 231,
 234
- stress (work related), *see* quality of life;
 work-life balance
- Sweden
 active labour market policies
 (ALMP), 94–6
 early retirement pull factors, 85–7
 early retirement push factors, 87–91
 employment and early exit trends
 (men 60–64), 81–4
 labour regime, 74–6
- Switzerland
 labour regime, 74–6
- systems of production, 2–3, 20–1, 65,
 71, 113, 184, 201–2
 conceptualisation, 5–10, 223–6,
 229–32, 236–7
 early retirement, 79–80, 87–91, 98
 in employee welfare, 148
 multinational companies, 168–9
- systems theory, 146–6, 161–2
- technology, 21–2, 41, 175, 184–5, 187,
 189, 200, 223
- temporary employment, 66–9, 105–7,
 183, 184–7, 197–200
see also atypical employment; part-
 time employment
- tertiary sector, *see* service sector
- Thelen, Kathleen, 5, 18–19, 183, 226,
 232
- Tilly, Charles, 23
- Titmuss, Richard, 146–7, 158
see also employee welfare; welfare
- trade union, 12, 28, 30–1, 32, 50, 93,
 100, 116, 119–20, 123, 131–2,
 137, 143, 183, 231
- strike, 42, 52, 119, 126–7, 133–6,
 138–9, 142, 157–8, 224, 226
- unionisation, 11, 42, 46, 52–6,
 118–19, 121–3, 126–30, 135,
 137–9, 205, 223–4
- at the workplace, 79, 83, 87–8, 93,
 123, 131, 138–9, 166, 168, 183
see also industrial relations
- training, 63, 81, 108, 222, 231
 and employment, 114, 116, 157–8,
 160
 in multinationals, 166, 169, 171,
 176–7, 179–80
 on-the-job training, 88–9, 94–5
 and self-employment, 182, 189, 199
see also active labour market
 policies; human capital; lifelong
 learning; vocational education
- transformation
 of capitalism, 6, 11, 13, 19–20,
 25–6, 32–3, 41, 48, 58, 64, 88,
 98–9, 104–5, 149, 159, 184,
 223, 225–7, 232–5
 concept of, 24, 32, 44, 57, 223,
 226–6
 of production, 9, 13–14, 20–2, 26,
 41–2, 88, 166, 179–80, 184,
 187–8, 227
 structural, 3, 11, 19–20, 25–6,
 29–30, 34, 50–1, 56, 88, 96,
 110, 225
 of work, 3–4, 7, 13–14, 34, 56–7, 74,
 88, 104, 168, 174, 183–4, 189,
 210–12, 226–7, 230
see also welfare, reform and
 retrenchment
- transition regimes, *see* varieties of
 capitalism, Central and Eastern
 European regime
- unemployment, 42, 46, 52, 60, 63, 73,
 76, 79, 85, 100, 110–11, 204
 long-term unemployment, 52, 73,
 81, 90–2
 unemployment rate, 127, 134, 136,
 210

- unemployment – *Continued*
 - voluntary unemployment, 72, 87–8, 93
 - see also* active labour market policies (ALMP); welfare
- United Kingdom
 - active labour market policies (ALMP), 94–6
 - comparison with Germany on employee welfare, 158–63
 - early retirement pull factors, 85–7
 - early retirement push factors, 87–91
 - employee welfare, 153–8
 - employment and early exit trends (men 60–64), 81–4
 - labour regime, 74–6
- United States of America
 - economy, 30, 33
 - hegemony, 22
 - social protection, 99
- varieties of capitalism, 4–5, 15, 24, 43, 46–7, 87–9, 205, 232–3
 - Central and Eastern European regime, 2, 30, 80, 81–4, 96–7, 131–3, 135–7, 205–7, 210–12, 212–16
 - coordinated market economy, 4–5, 15, 19, 27, 54, 74, 81–4, 89–90, 145, 148, 182, 189, 205
 - critique, 5, 6–8, 15–16, 96, 226, 229, 236
 - liberal market economy, 3, 5, 15–16, 19, 24, 27, 74, 85, 88–90, 96, 145, 153, 189, 205, 229
 - see also individual countries for different regime typologies*; labour regimes; welfare regimes
- vocational education, 63, 81, 88–9, 95, 114, 157–61, 168–9, 176, 179–80, 189, 231
 - see also* human capital; life-long learning; skills; training
- Weber, Max, 16, 18, 164, *see also* Rokkan, Stein
- welfare
 - conditionality and means test, 12, 92, 110–13, 149, 153–4, 159
 - definition, 2–3, 4–5, 43, 99–100, 144–5, 146–7, 159, 205–6
 - and the labour market, 52–4, 59–63, 71–6, 79–80, 85, 87, 94, 113–14, 166, 167, 217, 222–5
 - redistribution, 2–3, 12–13, 28, 105, 110–12, 123, 143, 205–6
 - reform and retrenchment, 39, 41–2, 79, 81, 91–3, 96–7, 100, 159, 168, 181, 226–7, 233–4
 - state, 2–3, 5, 13, 27–9, 79, 86–7, 95–6, 144–5, 148–9, 151, 153, 155, 158–60
 - see also* commodification; decommodification; employee welfare; flexicurity; income; inequality; labour regimes; labour share; varieties of capitalism; welfare regimes
- welfare regimes
 - Anglo-Saxon regime, 74–6, 85–7, 99–101, 158–62, 206–10
 - conceptualisation, 5, 43, 58, 74–7, 80, 144–5, 205–6, 221–8
 - corporatist/conservative regime, 73–4, 85–7, 158–62, 206–10
 - and employment, 12, 61, 75–6, 99–101, 145, 205–6, 221–8
 - Mediterranean/Southern regime, 85–7, 206–10
 - Nordic/social democratic regime, 73–4, 74–6, 85–7, 206–10
 - see also individual countries for different regime typologies*; labour regimes; varieties of capitalism
- women, *see* employment, females; gender; inequality
- work-family balance, *see* work-life balance
- workfare, *see* flexicurity
- working conditions, 4, 13–14, 41, 105–8, 147–50, 153–4, 158–9, 166, 185, 196–8, 202–4, 208–9, 211–16, 230
 - see also* atypical employment; industrial relations, collective agreements; industrial relations, collective bargaining; flexicurity; wages; working time; work-life balance

- working time
 - general considerations and
 - regulation, 62–3, 74, 77, 104, 109–10, 112–14, 123, 147, 183, 194–6, 198, 203, 205–6, 213, 216, 231
 - overtime and unsocial hours, 12, 14, 66, 74, 101–4, 106–8, 113, 186, 203–4, 208, 219
 - standard working time, 11, 62, 65, 67–70, 74, 101–2, 185–6, 190, 194–5, 219
 - see also* part-time employment; zero hours contract
- work-life balance, 62, 70, 104, 108, 151–2
 - debates and research, 201–5
 - determinants, 203
 - measurement, 203
 - regimes, 205–8, 213–16
 - satisfaction with, 206–10
 - see also* quality of life; working time
- workplace
 - general aspects, 1, 3–4, 150–51, 173, 195–6
 - industrial relations, 56, 97, 106, 119, 122–3, 128–30, 138–9, 224, 226, 231–2, *see also* industrial relations; works council
 - as social process, 7–9, 98–9, 145–6, 150, 159–60, 226–7, 229–32
 - see also* employment; labour regimes; welfare regimes
 - works council, 87–8, 122, 124, 128–30, 141, 166, 224
 - see also* industrial relations; trade union; workplace, industrial relations
- Zeiss
 - Carl, 150
 - company, 148–51
- zero-hour contract, 100, 106–7, 114, 116
 - see also* atypical employment