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Conclusion: Markets, Strategies, and Institutions in Comparative Perspective

Abstract

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Keywords

industrial relations, comparative political economics, globalization, labor movement, competition

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Comments

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Markets, Strategies, and Institutions in Comparative Perspective

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If this had been another collection of country case studies, it would now be possible to map out the similarities and differences across the cases covered, possibly in a figure describing various IR-related issues by country. However, since this is a collection of different kinds of analyses with a variety of different focuses, the job of concluding this volume is not so simple. Nevertheless, in the very variety offered by the chapters in this volume, several themes emerge, most of which are at least implicitly, if not explicitly, clarified in the five substantive chapters. The chapters point up the need to analyze industrial relations developments in the context of a changing global economy—especially the context of the broader “competitiveness” pressures and debates that have taken center stage on national political and economic agendas. They illustrate the simultaneous pressures for decentralization and a realignment of the division of labor between central and local decision making and activities. They draw our attention to the continuing importance of existing institutions in shaping industrial relations outcomes *and* the increasingly important role also of actor strategies in shaping outcomes and influencing how institutions are used. Finally, the chapters underline the importance of including labor as a major negotiating partner if the benefits of economic growth and competitiveness are to be widely diffused across different socioeconomic groups and strata, *as well as* the continuing viability of a model of industrial competitiveness that excludes collective labor influence, whose benefits accrue to isolated segments of society and economy—not just in the developing world but in advanced industrial countries as well.

The first part of this concluding chapter will elaborate those themes, recalling the chapters as appropriate. The second part sketches out the

implications of the six themes for how we think about industrial relations and for how the actors involved—and particularly organized, independent representatives of workers—develop and implement their strategies and policies. Three main conclusions follow. First, in order for the benefits of a competitive economy to be widely diffused, industrial relations and competitiveness issues must be consciously and substantively linked, strategically and institutionally, as well as vertically (across levels of analysis) and horizontally (across political and economic issue areas). Second, a strong labor movement by itself is not sufficient to ensure that such linkages be made—labor strength must be paralleled by particular kinds of labor strategies and politics. Third, organized labor is not necessarily involved at all in developing and implementing these linkages and, in the absence of appropriate strategies and institutions, may well be marginalized in the contemporary global economy.

In view of these conclusions, the only hope for labor—and ultimately for a model of competitiveness whose benefits are widely diffused throughout economy and society—is to develop strategies that insert labor interests and functions into these linkages and make the most of the institutional possibilities available in a given setting.

Six Themes

The chapters in this volume use a variety of approaches to the comparative subject matter. These differences in approach entail a focus on different independent and dependent variables and thus different outcomes. Richard Locke, in his broad sweep comparison of eleven OECD member countries, examines a balance of industrial relations, political-economic and human resources issues. The outcomes he focuses on are common patterns in employment practices, as well as marked differences with respect to the diffusion of employment relations innovations, employment security, and wage differentials—all of which are shaped by both institutions and actor strategies. Margaret Gardner's focus is narrower, concerning labor movement structures and strategies and the implications for labor's strength and adaptiveness. The chapter by John Paul MacDuffie has a dual focus on international management and HR practices, on the one hand, and plant- and company-level practices, on the other. The outcomes of interest to him have to do with the ways in which commonly adopted forms of work and production organization are implemented differently in different firms. Sarosh Kuruvilla, in his

chapter on the Philippines and Malaysia, looks at the relationship between industrialization strategy (in the realm of political economy) and industrial relations, as well as the ways in which both sets of variables shape workplace HR practices. In the last substantive chapter Marc Weinstein provides a historical analysis of the strategic shifts in Solidarity and is concerned with the effects of these on the overall weakening of the labor movement in Poland.

Notwithstanding the manifest differences in approach and focus, taken together, these chapters suggest a series of interconnected propositions about the role of industrial relations in the broader political economy, the changing locus of the main "action" in industrial relations, and the influence of institutions and actor strategies on outcomes.

The Competitiveness Context

First, each of these chapters illustrates in one way or another the need to understand industrial and employment relations both as they influence firm, industry, and national competitiveness and as they are influenced by the specific competitiveness issues that are particularly salient in a given setting. In this sense, industrial relations must be analyzed in terms of political as well as economic "competitiveness context."

For example, as Kuruvilla shows, in Malaysia and the Philippines the link between industrial relations and competitiveness is straightforward and direct. The perceived needs of competitiveness (as achieved by particular industrialization strategies) more or less dictate the form and content of industrial relations. The two variables stand in simple causal relationship to each other. Workplace practices emerge as a function of both. Yet even in places like Australia and Germany, where labor movements exist as independent political and economic forces possessing widespread social legitimacy, labor increasingly needs to defend its actions in economic terms, even while continuing to tend to its political representative functions. Thus in Australia the ACTU's reconstruction strategy links increases in workplace flexibility (for management) with wage increases (for labor) and tries to achieve professionalized career paths (for labor) by relaxing job demarcations and broadening skills training (for management). In Germany the IG Metall's efforts to promote "group work" and to shorten the work week are aimed at providing employment stability (for labor) as well as increases in the flexibility of work practices (for management).

These chapters also make clear that companies, industries, and possibly even nations can be highly competitive without having especially

democratic industrial relations or strategically influential labor movements. It is true that the competitiveness of German industry owes much to Germany's industrial relations system (Wever 1995; Turner 1991). However, numerous economies characterized by far less industrial democracy—the U.S., for instance—are also quite competitive by international economic standards. What is clear—and evident from both the German and American cases, as well as the others considered in this volume—is that there is little hope in the long term for an industrial relations system that cannot be made to fit a society's understanding (or at least that of policy makers) of what is competitive. This fit may entail extensive democratically institutionalized labor participation or a near total deregulation of labor standards and labor markets.

The Shifting Local/Central Division of Labor

The second theme that emerges from these chapters is that everywhere tendencies toward decentralization and deregulation coincide with the enduring role of certain centralized and centralizing functions and institutions. What emerges as especially important is not the degree to which a given setting is characterized by decentralization or centralization but rather the relationship between what happens at each of these levels. In other words, the focus needs to be on the division of labor, so to speak, between local and central actors, organizations, and institutions.

Thus, for example, Gardner points out the success of the Australian labor movement in promoting a shift to local flexibility but also the paradoxical weakening effect on the ACTU's ability to maintain central control over local policies and practices. Locke elaborates the increasingly important role of local institutions and strategies in shaping industrial relations outcomes at the local level but also shows the continuing at least potential importance of central institutions in mediating between pressures for cost-based and value-added approaches to competitiveness. In his analysis Weinstein links Solidarity's demise to its apparent near-abandonment of influence at the local level (e.g., workers councils), which then inevitably involved a loss of both political and economic influence in central forums as well. MacDuffie illustrates a measure of international convergence with regard to the implementation of lean production. Yet his chapter also demonstrates that company-based decisions about how new practices are implemented remain critically important in determining shopfloor outcomes.

The Continuing Importance of Institutions

The third theme is that the extent and nature of variations in outcome within a given country are influenced strongly by the nature of its institutions. Among other things, some kinds of institutional structures promote the diffusion of competitive practices, while others appear actively to impede such diffusion.

Gardner illustrates, by virtue of the comparison between the U.S. and Australian labor movements, how the relative paucity of centralizing institutions in the U.S. is an important factor underlying the uneven development of industrial relations and employment relations innovations. The importance of existing institutions and practices for diffusing employment relations innovation is one of Locke's main conclusions. Kuruvilla shows how in Malaysia centralized government efforts and collaborative employer strategies to develop training resources are necessary to the improvement of local productivity. Weinstein illustrates how centralizing institutions help account for the even diffusion of stable industrial relations practices in the eastern part of the new Germany, while their absence helps explain very different outcomes in Poland.

The Relationship between Institutions and Actor Strategies

At the same time, actor strategies remain vitally important to shaping, if not determining, outcomes. The relationship between institutions and strategies remains different in different settings but appears to be changing in all settings. Thus the fourth theme is that this relationship deserves to be at the center of industrial relations analyses.

In the Polish case it appears that the strategy of one of the main actors—Solidarity—contributed to the reshaping of the institutions of industrial relations in a way that ultimately weakened the union's overall political and economic influence. In this case labor was powerful enough to exert great influence on institutional outcomes, with the ironic result that it thereby seems to have undermined its ability to continue to play precisely this role. A very different case is that of New Zealand, where, as Gardner illustrates, dramatic labor market deregulation likewise undermined the influence of the labor movement at all levels—in this case over the objections of labor. MacDuffie's cross-regional analysis points to the continuing importance of company strategy—to some extent independent of macro-level institutions (measured here by region rather than by country)—in determining the shape of "lean production" in a given setting and subsequent effects at the workplace. In all of these

cases there is no particular reason to believe that a given relationship between strategy and institutions is in any way frozen or static. Nor is there any reason to believe that one or the other is necessarily more important: Far from competing in a zero-sum game, particular institutions and actor strategies may either reinforce or undermine each other.

Diffused Competitiveness Requires Labor Involvement

With regard to the interrelations between structures and strategies, the fifth theme is more specific. In cases where the benefits of competitive firms and industries diffuse to be enjoyed by a broad-based spectrum of social actors and groups, labor is invariably included as an important negotiating partner in political-economic and industrial relations decision making above the micro (firm, plant, or workplace) level. Where labor is not an important actor in these dynamics, we find pockets of competitiveness coexisting alongside significantly less developed segments of the political economy.

For instance, income disparities in the U.S., where labor does not play a major role above the micro level, are extremely high by international standards. In Germany, where labor is one of the two main "social partners," income polarization is much lower. Similarly, Malaysia and the Philippines show distinctly higher levels of poverty and lower levels of wage increases in recent years than Singapore, where labor's role is somewhat greater. Institutions channel negotiations, and strategies (in this instance, labor strategies) give them meaningful content.

Segmented Competitiveness Is an Equally Likely Outcome

However, and this is the sixth theme, competitiveness with widely diffused benefits is not the only alternative. Many unevenly developed political economies with pockets of underdevelopment and low wages as well as high levels of income inequality seem quite stable, at least in the medium term.

Thus the development of the Polish economy proceeds apace at a rate roughly comparable to that of neighboring former east-bloc countries, notwithstanding the dramatic weakening of Solidarity and the increasing dominance of the Anglo-American free market model. Neither does the U.S. appear to be on the brink of any great socializing legislation. On the contrary, the contemporary political climate suggests precisely the opposite: a trend toward further shrinking of the federal government, cutting of social services and entitlements, and deregulation.

These developments occur in the face of frequent and dramatic signs of social tensions that twenty years ago would have indicated a need for more, not less, social democracy. In short, the requirements of competitiveness appear to be compatible both with labor-excluded and labor-included models of industrial growth and adjustment.

Implications for Labor and Industrial Relations

Three general conclusions are suggested. One concerns the importance of vertical and horizontal policy linkage. The second is the fact that union strength and adept labor strategy are not sufficient to ensure such linkages. And the third is the fact that this linkage can apparently be achieved without any labor involvement at all. These conclusions point to a familiar but increasingly urgent policy direction for labor which is briefly laid out at the end of this chapter.

First, key actors in advanced and developing countries alike are linking industrial relations structures and strategies into broader economic and social policies, as well as establishing linkages across the different levels (micro, meso, macro) at which production and industrial relations take place. These kinds of linkage are particularly evident in cases where the benefits of economic growth and competitiveness are widely diffused throughout the political economy.

For example, the horizontal and vertical linkages pursued by business and government in Malaysia appear to be significantly more developed than in the Philippines, while Singapore looks more "linked" again than Malaysia. In Singapore connections between labor issues, training and education, social policy, and economic development, from the micro to the macro level, appear to be conscious matters of policy; in Malaysia and particularly the Philippines these linkages are fewer and appear more reactive than strategic. Singapore's economy is somewhat more highly developed, with lower levels of income inequality and poverty than in Malaysia or the Philippines.

Consider also the contrast between Australia and the United States. In Australia the ACTU's "Australia Reconstructed" platform explicitly addressed the need to pursue a central strategic reorientation of labor's main goals. In tandem with this, however, the labor movement initiated significant measures for flexibilizing its role at the local level. Measures were promoted to broaden skills and encourage the development and professionalization of internal labor markets. Structural changes made it possible for local unions to engage in ongoing negotiations with employers about issues that have historically fallen in the centralized domain.

In short, the ACTU's strategy consciously linked the functions and strategies of labor vertically across levels. Horizontal linkage was also a central piece of the ACTU's strategy. The clearest example is the acknowledgement of the need to tie central wage determination mechanisms to measures of workplace flexibility. In other words, the economics of industrial relations were linked directly to the politics of work. These linking strategies appear to be at least in part responsible for the relatively wide diffusion of workplace innovations referred to by Gardner in her comparative analysis of Australia, New Zealand, and the United States.

Gardner notes that the diffusion of workplace innovations in the United States appears to be considerably more spotty than in Australia (though differences in measurement techniques applied in the two countries makes comparison difficult). There has indeed been a very uneven diffusion of employment relations innovations in the United States, with continuing high levels of income inequality and poverty and large regional pockets of relative underdevelopment. The competitiveness of the U.S. economy—undisputable in international perspective—benefits certain socioeconomic segments significantly, while leaving others untouched (or worse off than they would otherwise be).

Moreover, there is a connection between this lack of diffusion in the U.S., on the one hand, and the relatively fragmented and decentralized nature of American worker representation, on the other. There is no equivalent to the powerful and strategically adept ACTU in the United States. Union rivalries in the U.S. are far more widespread and politically damaging than in Australia. Local unions continue to guard jealously their prerogatives with regard to reaching (or rejecting) agreements with local managers about workplace reorganization. The lack of political power at the national level makes it difficult for labor to draw the horizontal (political-economic) policy links the ACTU was able to draw as part of its reconstruction strategy.

The second general conclusion is that labor's strength and adept strategy are not sufficient to ensure these kinds of linkages. In Poland, where Solidarity was both unusually powerful and possessed impressive strategic capacities, labor has increasingly backed away from involvement in most of the forums in which it once seemed poised to play important roles. To the extent that Solidarity is still involved, its involvement is—at least relative to the circumstances of 1990—unlinked across levels or across issues. Once active in debates about national economic strategy and in workplace restructuring initiatives, Solidarity's influence

is weak in both areas today, while its roles in these two arenas do not appear to be consciously linked.

The contrast to developments in eastern Germany is instructive. Here, due to the important role of the western unions and to employers' familiarity with the advantages of the "negotiated" model of competitiveness, things look quite different. While in the new eastern German states labor is still less powerful and influential than in the western part of the country, its role is unmistakable and clearly embedded in the competitiveness of the eastern economy. Unions and works councils (often in collaboration with local and regional governments and businesses but also often quite on their own or in opposition) have developed strategies linking everything from job definitions and training mechanisms to local and regional economic development projects, retraining companies, and social and educational policies (see Wever 1995; Turner 1995; and Knuth 1995).

The contrast between eastern Germany and Poland is striking. Yet labor's relative success in eastern Germany and its relative decline in Poland can hardly be attributed to differences in union power or strategic aptitudes. While these variables are important, they do not appear to be determinant in regard to the dynamic of linkages. Rather, for these cases, contrasting institutional frameworks and union/employer decisions appear decisive.

Thirdly, labor is not necessarily involved at all as a unified actor at the intersection of employment relations and industrial growth and adjustment. It seems plausible, and certainly it would be nice if, over the long run, successful vertical and horizontal policy linkage required the incorporation of labor's interests. Certainly no other institution can articulate workers' employment relations needs and interests as effectively as good independent worker representation. In the short term, however, it is clear that economic growth and competitiveness are quite possible without such representation.

The fact that linked policies supporting significant economic growth and development do not require any significant labor involvement is illustrated by the cases of Malaysia and the Philippines. In Malaysia political circumstances have made possible a shift to second-phase export-oriented growth. This, in turn, has necessitated increasing linkages across levels (e.g., to develop training programs that can provide the workforce necessary for competitive successes) and across political and economic domains (for instance, linking industrial policies with education policies). In the Philippine economy this transition has been

slower in coming, and there continues to be less linkage of both sorts, as well as a less competitive and more unevenly developed economy. The difference is most obvious in the area of training, which is considerably less developed than in Malaysia.

But in both countries the repression of labor is striking, although in the Philippines it appears to be even greater by several measures than in Malaysia. The prevalence in Southeast Asia (as, indeed, elsewhere in the world) of management-dominated unions, the fragmented nature of the union movements, and the continued illegality of strikes in most core industries serve as reminders that powerful and independent worker representation does not inevitably accompany economic growth and competitiveness.

It seems likely that we will see an eventual shift in policies to accommodate or at least quiet the large population of poor and un- or underemployed who continue to be excluded from the benefits of growth. Those countries in Southeast Asia that have moved on to more advanced stages of development have all done so with some improvement in labor standards and loosening of restrictions on unions. But there is no reason to believe that a country could not go on for a long time—as the U.S. is apparently doing—faring quite well economically (albeit with pockets of extreme underdevelopment as well as widespread and growing income polarization) without a strong labor movement.

Conclusion

Worker representative organizations, institutions, and movements must find ways to insinuate themselves into the vertical and horizontal linkages between policies and negotiations—to perform linking functions that make organized labor useful, if not necessary, to business and government decision makers interested primarily in economic growth. The shape of labor's linking strategy in practice will vary significantly across settings. Politics and circumstances may require of labor only that it play a significant role in one of these linking functions in order to create enough leverage to diffuse the benefits of growth and competitiveness. However, in some cases much more will be needed.

Oddly enough, although the approach to comparative industrial relations implied by this analysis is new, these policy implications are not. The kinds of linking functions that labor has played in a variety of countries in the past illustrate the kinds of strategies called for today. For several postwar decades, the German works councils' value to management had mostly (though not exclusively) to do with their taking over

and standardizing basic human resource management functions and quieting discontented workers. The German unions' contribution to the interests of German capital had a great deal to do with forcing employers to centralize collective bargaining, thus taking labor costs out of competition among employers, pushing companies to develop non-cost-based competitive advantages in international markets (Streeck 1992).

A central American union role in the New Deal system of industrial relations was to regulate the shopfloor, thus—in ways quite similar to the roles played by works councils in Germany—leaving management free to focus on other, more strategic and directly production-oriented matters (Katz 1985). Australian unions have maintained relevance and organizational integrity in a difficult period of industrial restructuring by actively promoting decentralized workplace flexibility from central union headquarters.

The idea that organized labor needs to perform a useful socioeconomic function—beyond the politically desirable function of representing the workplace interests of employees—is also old. What has been less apparent in the past is exactly where organized labor must seek its new roles. As noted above, the increasing diversity of local IR politics and outcomes means there can be no simple strategic formula equally applicable across the board. But the chapters in this volume lend enough further evidence to what we know about comparative industrial relations and political economy to narrow the locus of effective labor movement strategy to the points of linkage that are, first, most important to the functioning of the political economy and, second, most accessible to labor's influence. What labor needs is complementary and mutually reinforcing influence at national and local levels.

What can be done in a given setting will be shaped by labor's organizational and political power and influenced by institutional possibilities and constraints. But not to try to do something along these lines is to conspire in the continuing weakening of labor representation and workplace democracy in supposedly democratic societies.

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