



The
University
Of
Sheffield.

SPERI Paper No.2

Capitalist Diversity, Work & Employment Relations.

Christel Lane and Geoffrey Wood

speri.

Sheffield Political Economy
Research Institute.

About the authors



Christel Lane

Christel Lane is Professor Emeritus of Economic Sociology and a Fellow of St. John's College at the University of Cambridge. She has written extensively in the area of 'comparative capitalism', with a special focus on the UK, France, Germany and the USA. She is the author of *Industry and Society in Europe* (Edward Elgar, 1995), the editor of *Trust within and between Organizations* (Oxford University Press, 2008) and the author (together with Jocelyn Probert) of *National Capitalisms, Global Production Networks* (Oxford University Press, 2009). She has authored numerous journal articles and book chapters and is currently finishing a book entitled *The Cultivation of Taste: Michelin-starred restaurants in Britain and Germany* to be published by Oxford University Press. She has also served as President of the Society for the Advancement of Socio-Economics (SASE) and as a member of the Editorial Board for the journals *Socio-Economic Review*, *British Journal of Sociology* and *Organization*.



Geoffrey Wood

Geoff Wood is Professor of International Business at Warwick Business School, University of Warwick. He also holds honorary professorships at Pecs University, Hungary; Griffith University, Australia; and University of Witwatersrand, South Africa. Previously, he was Professor and Associate Dean in the School of Management at the University of Sheffield. He has authored and/or edited twelve books, and over one hundred articles in peer-reviewed journals (including *Work and Occupations*, *Work Employment and Society*, *Organization Studies*, *Human Relations*, *British Journal of Industrial Relations* and *Human Resource Management*). His two most recent books are the *Handbook of Institutional Approaches to International Business* (Edward Elgar, 2012) and *Capitalist Diversity and Diversity within Capitalism* (Routledge, 2012). In 2012 he won the annual Standard Life Investments ECGI 2012 prize for the best working paper in finance for the paper 'Private Equity Takeovers and Employment in the UK: Some Empirical Evidence', co-authored with Noel O'Sullivan (Loughborough University) and Marc Goergen (Cardiff University Business School).

ISSN 0950-0804

Published in March 2013

The great value of the literature on comparative capitalism is its emphasis on the persistent viability of alternative models to market liberalism. Central to the viability of more heavily coordinated markets are specific production regimes, supported through cooperative work and employment relations, encompassing significant participation and involvement, strong industry and firm skills sets, and bargaining centralisation (Hall and Soskice 2001; Estevez-Abe *et al.* 2001; Hancke *et al.* 2007). In contrast, the liberal market model is distinguished by less strong unions, decentralised bargaining, weaker worker rights, insecure tenure and flexible labour markets. As such, this approach has considerable value as a theoretical starting point both for categorising different national industrial relations regimes and in explaining the spatial concentration of specific sets of industrial relations practices. At the same time, whilst the nation-state remains an important level of analysis, there is considerable variety in practice both within nations and capitalist archetypes (Lane and Wood 2009 and 2012). This would reflect the fact that institutions are rarely closely coupled, with distinct regional and sectoral dynamics. Moreover, supra-national forces may not only erode national distinctiveness, but also reinforce difference between nations.

Rethinking capitalist diversity

In the early 'Varieties of Capitalism' literature, it was argued that firms opted into specific institutional arrangements owing to the competitive advantages they conferred (Hall and Soskice 2001). As institutions solve problems, this will make for enduring differences between nations, an example being how, in some places, the law supports strong unions and more coordinated bargaining (Thelen 2010: 52). In other words, employers chose to fit in with, for example, national bargaining structures, owing to the benefits flowing from them in particular contexts; whilst the compromises this forces with organised labour may, at times, be unpalatable, the gains may greatly outweigh the costs (Hall and Soskice 2001). But, unlike the regulation theorists (cf. Jessop 2001), Hall and Soskice (2001) made no specific predictions that one form of capitalism was necessarily superior to another. Instead, they argued that two alternative models, the Liberal Market Economy (LME) and Coordinated Market Economy (CME), each had particular strengths and weaknesses. The former was distinguished by flexible labour and financial markets, particularly conducive to high technology/innovative industries (see also Amable 2003). In contrast, coordinated industrial relations institutions, strong vocational skills bases and joint problem solving structures were, in turn, conducive to incrementally innovative production (see also Thelen 2001).

A key assumption was that each model conferred known advantages through mutually supportive rules, structures and social ties, making for complementarities, that is, when specific systemic features yield superior outcomes when combined than the sum of their individual parts (Hall and Soskice 2001; Crouch 2005). Importantly, this would suggest that, as mutually supportive complementarities are not as developed, mixed systems will perform less well (Hancke *et al.* 2007; Hall and Gingrich 2004). This would discourage the emergence of hybrids between the two models, with other 'Varieties of Capitalism', most notably Emergent Market Economies (EMEs, the post-state-socialist economies of Eastern and Central Europe) and Mixed Market Economies (MMEs, the Mediterranean European states) being impelled in one or the other direction (Hancke *et al.* 2007). Notably, MMEs are essentially bifurcated between large firms and the state sector, on the one hand, and SMEs and the informal economy, on the other hand; within the latter areas, regulatory coverage is uneven or absent. Again, as noted above, this would encourage firms within particular national settings to opt into particular production paradigms and associated rules, owing to the clear advantages conferred by them (Hall and Soskice 2001).

In practice, however, the empirical evidence is somewhat mixed. LMEs remain characterised not only by highly innovative firms, but also a large low-value-added service sector, as well as, for example, significant numbers of more traditional manufacturing firms that have survived from the Fordist era (Wright and Dwyer 2006). Again, many smaller firms in CMEs make use of work, employment and industrial relations practices that are somewhat removed from the CME

ideal-type (Streeck 2009). Moreover, there is no evidence of one type of firm or production paradigm largely driving out others. This raises the question as to what produces diversity within institutional arrangements and associated work and employment relations paradigms within national settings.

Debating complementarity

In our earlier work, we noted that early thinking on complementarity as solely a synergistic building on strengths is no longer tenable. While synergistic relationships are still found, they often have been replaced by one that is of a more compensatory nature (Lane and Wood 2009; Wood and Lane 2011; Crouch 2005). The latter would suggest that practices often are encountered together to make up for problems flowing from other dimensions of national institutional structures. This makes for a kind of hybridisation that is not dysfunctional, but rather a sign of robustness (Crouch 2005). Hence, complementarity may make for diversity, with firms, rather than simply opting in or out, making more or less use of systemic features, as their own circumstances and that of their peers dictate.

On the one hand, this would explain the persistence of diversity. This would suggest that different parts of a system are each potentially functional in their own way, and what happens in one part may reinforce other parts and the whole in a beneficial manner (Crouch 2005). On the other hand, this discounts the possibility of pathological coexistence that might not necessarily be a sign of well-being, but rather of crisis (Jessop 2008). At a supranational level, the rise of mega-exporters (Germany, China) is matched by heavily financialised mega-importers (US, UK), with surplus capital generated by the former absorbed by the latter to fund renewed imports. Within countries, a comparable pathological dependence on one another by diverse players and sectors may similarly emerge. For example, with LMEs such as the US and the UK, the decline of traditional manufacturing work led to both wage squeezes by remaining manufacturing firms and the replacement of such employment through new low end jobs in the service sector (Wright and Dwyer 2006). However, declining standards of living were compensated by the increased availability of credit from the financial services industry and successive housing price bubbles (Boyer 2010). The resulting period of growth proved unsustainable, despite increasingly desperate central bank attempts to prop it up, *inter alia*, through very low interest rates and quantitative easing.

What this would suggest is that, rather than complementarity, the coexistence of bundles of rules and practices within and across nations is often more about coping. They may indeed be highly functional in working together, making up a broad 'growth regime' (Jessop 2001). However, they may simply persist owing to uncertainties as to the viability of alternative arrangements. They may also be cannibalistic, with one sector or actor feeding off the accumulated resources of another (Harvey 2004). An example would be the private pensions crisis in the UK. Historically, firms provided pensions as a form of deferred pay; in their absence, individuals purchased pensions or annuities through respected financial institutions, gaining a decent return on retirement. Their decline not only reflected (in the case of the former) firms taking pensions 'holidays', but also through systematic failures of pension-fund managers (Blackburn 2006; 2008). Long-term savings were diverted to fund short-term speculation and provided excessive incentives to engage in the latter (Blackburn 2006; 2008; Arrighi 2005). In turn, this has led to a growing class of ageing workers faced with the prospect of impoverished old age. Quite simply, the health of the pensions industry became dependent on the impoverishment of those working in other areas of the economy (Blackburn 2006; 2008). Again, this would reinforce the brittle strengths of the financial services industry and the diffusion of cost-cutting production paradigms in manufacturing and retail. It also has immediate links with work and employment. The decline of occupational pensions has meant, in many instances, the abrogation of implicit contracts based on assumptions of deferred pay; in turn, this will affect the relative commitment of employees to firms.

Regional difference: work and employment relations

Specific industries and associated forms of work and employment relations may do particularly well in some regions, owing to their natural or human resource endowments, geographic locale, or due to formative historical events. As resource endowments change, and/or due to external shocks, these advantages may decline or even evaporate (cf. Sewell 2008). Three issues are of importance here. Firstly, archetypical industries within a particular region support an ecosystem of smaller, sometimes seemingly unrelated, firms. This means that a reduction in the job-creating capacity of the former will have similar effects on the latter; in turn, overall higher unemployment may force down wages and encourage migration away from the region concerned. The converse would be true should archetypical firms prosper.

Secondly, the relative concentration of specific industries and particular regional traditions may make for a greater collectivism or individualism amongst workers. In turn, this is likely to impact on the relative strength of unions and the incidence of collective bargaining, and/or the viability of specific firm-types, which, in turn, impact on other work and employment relations policies and practices. In some, but not all, instances, this may be structurally important. An example of the former would be the relative strength of cooperatives in some regions – for example, the Basque country, and parts of North-East England, which build on regional cultural traditions and associated solidarities. Another example would be the persistent strength of unions in the Eastern Cape, South Africa (despite very high unemployment), building on a particular political history. After a long period of adversarialism, this has translated into cooperative partnerships with management. These have spearheaded the transformation of the region's car plants from serving a small closed market through small batch production into global export success stories.

Thirdly, regional distinctiveness is bound up with politics. According to the geographic base of their constituents, and indeed, their own geographic origin and ties, politicians may direct resources towards or divert them from particular regions. However, the latter process may lead to popular backlashes, and/or such rapid regional decline as to force a reversion of such policies (Hudson 2011). This may even lead to politicians that are ideologically hostile to statism introducing active industrial or regional regeneration policies in declining regions. Key actors may oppose or respond to central government initiatives in an uneven manner (Hudson 2011:195). In turn, this will lead to renewed job creation, but with employment and growth often remaining contingent on continued state support.

Regional development may be affected by electoral systems. In 'first past the post' systems, politicians may be beholden to their immediate constituents. However, as elections are decided by ideologically uncommitted voters in marginal seats, this means that politicians can often afford to ignore the interests of particular classes, notably workers (Pagano and Volpin 2005), and/or even particular regions. In practice, in 'first past the post' systems, the interests of property owners are likely to assume predominance. In highly proportional systems, politicians may lack the same close spatial connection to a particular locale and thus be forced to build coalitions with others. This makes for more inclusive political systems, characterised by cross-class compromises, and taking account of particular regional interests (Pagano and Volpin 2005). Not only does this mean that employees are likely to have more rights under the law in highly proportional systems, but the culture of compromise and coalition-building is likely to diffuse beyond the political realm to include work relations within the individual firm. Again, there will be more attempts to reconcile the needs of different stakeholder groups, which may have distinct regional bases, under such systems. Broadly encompassing coalitions will reduce the chances of great imbalances between different regions and sectors.

Thirdly, there is the issue of regional crisis and change. Should it not be possible to forge mutually satisfactory compromises within and between regions, it is possible for greater institutional layering to take place (Thelen 2010: 56). For example, Scottish, Welsh and Irish devolution in the UK has led to the former two, and to some extent the latter, moving on to a more social-democratic trajectory. Inevitably, this will impact on firms, and on work and employment relations, in the regions concerned.

Industry effects

Much internal diversity in work and employment relations within national contexts is encountered in sectors. Two key issues are worth considering here. First, when sectors become concentrated in a specific geographical area, industrial districts may develop. These can be highly successful, yet were somewhat neglected in the early 'Varieties of Capitalism' literature. Within a particular sector and locale, firms may form close relations with each other that are distinct from others (Crouch and Voelzkow 2004). Crouch and colleagues argue that institutional arrangements are relatively fluid, with institutional fragments being creatively recombined at local level (Crouch *et al.* 2009). Within nation-states, local specialisms emerge and persist, with sets of alternative local, regional and/or sectoral institutional solutions being available within specific national contexts. Firms will opt for such arrangements if national institutions do not suit their specific needs (Crouch *et al.* 2009). This will allow specific types of firms to prosper in a particular sub-national space.

Trigilia and Burroni (2009) argue that there may be a lack of complementarity between coordination at national and regional levels; rather than being part and parcel of national complementarities, industrial districts may simply coexist with other sectors and regions. This does suggest dislocation. The latter may well impact on national governance. Moreover, no matter how dense the ties are between firms within specific industrial districts, they are not self-contained and are likely to have close ties with other firms within and beyond the national context. Within CMEs, national-level legal regulation of industrial relations has historically reduced the chances of pronounced differences between industries.

However, while sectoral differences have always been pronounced in lowly-regulated LMEs, the hitherto more homogenous CME sectoral regimes have been diverging strongly in economies like the German one. The high-skill, high-security model in the core export-oriented industries continues, but, since the early 2000s, has been supplemented by an extensive low-wage sector, particularly in service industries. In these sectors lower skill, low pay and reduced employment security now provide employers with a flexible reservoir of labour. This development has been accompanied by a gradual shrinking of the previously encompassing system of labour representation and the emergence of many more separatist and individualised bargaining and pay determination processes at company level (Streeck 2009: 93ff). Although jobs in the low-pay economy still only form a large minority, this development nevertheless has created a strongly segmented and even polarised labour market, with recruitment from different social groups. Thus, in the German employment system, we now find side by side totally different institutional arrangements, seemingly insulated one from the other by sectoral boundaries. However, complete insulation is impossible: as Streeck (2009) has noted, the disorganising effects of the low-wage and low-organisation sectors are seeping through into those still clinging to the traditional model.

State and industry

A related issue to consider is the role of the state. When compared to the 'Varieties of Capitalism' approach, 'Business Systems' theory accords rather more attention to its impact on shaping national development, an issue rather neglected by the former (Whitley 2007). However, the state generally does not act in an even-handed manner across industries. An obvious example would be the enormous (and objectively uncompetitive) interlocking military-industrial, security and penal complexes in the US. Private firms within these complexes may be propped up through opaque contracting that has more to do with political patronage and personal contacts than any market reality, either via direct government procurement or aid to foreign governments tied to spending on domestic military contractors (Hasik 2008; Mann 2003). Again, much of the competitive advantage of the high technology sector in the US depends on lavish governmental spending on defence and security (Lane and Wood 2009; Mann 2003; Hasik 2008). In the UK, there has been very much less evidence of beneficial technological spillover between defence and other industries, and there have been significant budgetary cutbacks in this area. However, the pharmaceutical industry is heavily reliant on partially state-subsidised R&D conducted within the (quasi-state) university sector.

Within the US, an interesting phenomenon that has reinforced diversity has been the emergence of new regional labour-market institutions, such as sectoral partnerships and regional training consortia (Appelbaum 2005: 303). However, tight sectoral labour markets do not always work to the benefit of workers; they may encourage greater outsourcing or relocation in the industries concerned, or lead to changes in work organisation, all costing jobs (Appelbaum 2005: 304).

Large-scale state bailouts and ongoing state support have been readily forthcoming to the financial services industry in both the US and UK (Boyer 2010). The scale of these bailouts is indisputably enormous. Moreover, phenomenal amounts of money injected into the financial system in the form of quantitative easing, ostensibly to enhance the availability of credit, appears to have largely and mysteriously vanished to plug only partially known black holes and/or disappear into offshore tax havens.

As Boyer (2010: 351) notes, this support has been matched by a willingness often (but with some notable exceptions) to leave conventional firms and workers to fend for themselves, no matter how adverse their circumstances. Saving bankers has meant saving their ideologies, and, in theory, the lightly regulated market model, but in practice this has been about state support being channeled into specific sectors at the expense of others. Given its volatile performance, and the clear bounds to its job-creating abilities, the financial services industry cannot serve as a coherent basis for national growth (Wolfson 2003), and the role of other firms – no matter how marginalised – remains critical. On the one hand, the US has clearly diverged from the archetypical LME model (Weiss 2010). On the other hand, the intervention is focused, uneven, and closely bound up with political processes and lobbying. Whilst conventional firms making and selling non-financial goods and services have been damaged by the process, the system is dependent on significant numbers of them surviving. Again, this points to persistent diversity within such contexts, even if some industries operate on a sub-optimal level owing to the adverse effects of others.

Action: the local and the supranational

Dore (2008) suggests that specific actors may play the role of norm entrepreneurs within particular settings. By introducing new practices, they challenge existing ways of doing things, which, over time, may gradually erode the established order. An example would be activist investors, such as private equity. Such investors have challenged the view that the dispassionate insights of a new managerial team can release more value (at least in the short term) than longer-serving managers who would have a more intimate understanding of organisational process and the capabilities of its people. Another example in Japan would be that increasing foreign ownership has led to the diffusion of US-style practices (Sako and Kotosaka 2012). However, this process has been a very uneven, rather than a simple, process of substitution. Rather, Streeck (2005: 580) suggests that, within national systems, there occur both continuities and change, with specific practices being always open to reevaluation and reformulation.

Diversity, of course, not only represents the product of social action at the national level, but also of supra-national pressures. Firstly, there is the role of supra-national institutions, such as the European Union (EU) and International Financial Institutions (IFI). On the one hand, certain European bodies, such as the European Court of Justice, have done much to promote liberalisation and individual rights. On the other hand, EU regional development funding may reenergise marginalised regions without necessarily bringing them closer to either national norms or an emerging neo-liberal order. Again, whilst the International Monetary Fund (IMF) has imposed neo-liberal reforms on those nations that have been forced to turn to it for assistance, this has not necessarily made for homogenous outcomes. Cut-backs in government spending can reinforce difference, with economically weak regions and sectors of society being further marginalised through a self-reinforcing 'backwash' effect (Myrdal 1957).

Supra-national actors may play a similar role in reinforcing diversity within national contexts. Two particular actors are worth considering here (Wood and Demirbag 2012). The first are Multinational Corporations (MNCs). They may challenge existing ways of doing things. An example would be the effect of Japanese MNCs on industrial relations in Britain: the direct effect has been to undermine traditions of multi-unionism within companies and thus introduce significant diversity in the practices of union representation. However, rather than driving homogenisation through importing perceived 'best practices' from abroad, MNCs may vary their practices according to setting. They may, for example, insert themselves into local production regimes owing to the competitive advantages they confer (Whitley 2010). This may simply be to gain access to cheap labour, but alternatively may occur to take advantage of the possibilities afforded by particular skill-sets and embedded participative frameworks. In the case of the latter, innovations may result more in layering than transformation. Outsourcing production may also shore up existing ways of doing things within areas where production is domiciled, reinforcing tendencies to found competitiveness on cost-cutting, encompassing labour repression. In short, whilst MNCs may indeed play the above-mentioned role of norm entrepreneurs, they may also reinforce localised or sector-specific ways of doing things. The latter would include buying into dominant local work and employment-relations paradigms.

The second supranational actor is labour. As Standing (2011) notes, a feature of the contemporary world has been the rise of an underclass, the 'precarariat', who are neither occupationally nor spatially rooted. This has potentially ambiguous implications, once more making for diverse outcomes within specific national contexts. On the one hand, one of the many contradictions of neo-liberalism is that dogged proponents of free markets are often equally forthright in advocating ever higher barriers to migration (Macewan 1999). Growing employment insecurity within many developed societies, fanned by conservative media and politicians, has led to popular backlashes against immigrants and a progressive tightening of cross-border mobility (Standing 2011). On the other hand, the primary victims of the latter have been skilled migrants and those seeking to enter countries via legal routes (for example, asylum seekers). Proponents of immigration restrictions are often silent when it comes to enforcing labour standards at home and the extent to which the presence of large numbers of illegal workers may be used as a mechanism for depressing wages and, indeed, exercising labour coercion. Such migrants are often trapped between the Scylla of human traffickers, labour brokers and their accomplices, and the Charybdis of the authorities, with constant fear of deportation (and thereafter being saddled with an unpayable debt to, and possible retaliation by, said traffickers). This makes for a reluctance to challenge even the most demeaning of working conditions and the lowest of pay regimes (Standing 2011; Davis 2006). The outcome of all of this are sectors of the economy characterised by relatively optimal conditions for skilled labour (with reduced possibilities for competition by immigrants) and others dominated by highly vulnerable workers, including large numbers of illegals (Standing 2011).

Systemic change

Actors and change

As Crouch (2005: 22) notes, 'where there is institutional diversity there is potentially the possibility of recombination and, therefore, change and innovation'. The process of institutional change is an uneven one and will, as noted above, further reinforce internal diversity. Institutional arrangements may change in a wide number of ways, ranging from simply substitution to sedimentation (where new features progressively replace the old) (Boyer 2006: 48). This may include hybridisation, that is, the 'adding of new elements to get a system that incorporates both old and new features'. As noted above, foreign MNCs may pioneer new practices which are absorbed by local structures, whose roles will not necessarily be completely transformed (Juergens 2003).

Whilst there always has been diversity in institutional arrangements and practices within nations (Trigilia and Burroni 2009), it can be argued that this process has been accelerated since the 1990s. This process has led to scepticism as to the persistence of familiar capitalist archetypes. Indeed, it can be argued that 'important limits have been reached to the notion of national

varieties of capitalism as institutionally coherent and complementary sets of institutions' (Deeg and Jackson 2007: 157). This, of course, may either reflect plasticity in institutional arrangements or a new process of institutional transformation (Lane and Wood 2009). The latter would be in line with contemporary regulationist authors who have abandoned early notions of a relatively smooth and short transition from Fordism to a new post-Fordist growth regime (Jessop 2001). Rather, it has been argued that the neo-liberal era, with its many dysfunctions, has not attained the characteristics of a growth regime. Instead, the present era is seen to constitute a sustained period of experimentation, volatile growth and recession (Wolfsson 2003; Boyer 2006).

Systemic change may be seen in actor-centred or class terms (Hancke *et al.* 2007; Hall 2007) through the interaction of politically motivated actors and malleable institutions (Amable 2003; Boyer 2006; Hoeggner 2005; Streeck 2005; Jacoby 2005; Morgan and Kubo 2005; Deeg and Jackson 2007). The historical institutionalist approach emphasises the tensions between systems that embody some logic of economic action, on the one hand, and actor creativity, on the other (Thelen 2010; Streeck 2009). Early institutional arrangements both affect subsequent arrangements and the direction of change (Rehberg 2006: 411). Decisions made in the early stages of institutional development will influence later ones. Even when existing systems are overturned, they will affect efforts to devise replacement structures (Rehberg 2006: 411).

What all these approaches have in common is a focus on change coming about primarily via societal arrangements, rather than stemming from specific problems or contestations arising within the firm. This is somewhat in contrast to early regulationist writings on the crisis of Fordism, which suggested that this could be superseded by a new post-Fordist production paradigm. However, current regulationist approaches have shifted their emphasis away from the workplace to concentrate on areas such as financial services (cf. Boyer 2010), which might suggest that work and employment relations have somehow become less important. However, whatever the starting point, it is clear that, at societal level, the organised interests of workers, and especially unions, are relatively weak today, particularly in LMEs where this process has been matched by a reassertion of owner rights over those of other stakeholders in the firm (Dore 2000). Indeed, the direction of change has not been favourable to workers, as other more powerful players have sought to rearrange institutional structures. In practical terms, within LMEs, this has led to an intensification of the negative dimensions of prior work and employment practices. This process has been detrimental to those firms which base their competitive advantages more on cooperative arrangements with workers, rather than pursuing shareholder value to the detriment of employees. As noted above, change within CMEs has perhaps been more pronounced, with the emergence of a low-wage, low-pay sector in countries such as Germany. On the one hand, it could be argued that a revival of growth will re-strengthen the hand of workers (Kelly 1998). Owners of productive property will naturally resist this process, leading to a sustained period of conflict both within and beyond the workplace, forcing renewed attention to institutional mediation. On the other hand, a wide body of literature has suggested that the relative importance of workplace contestations varies according to time and place, and that the main challenges to the present order are likely to emerge within communities and the political domain (cf. Habermas 1993; Amable and Palambarini 2009).

Historical institutionalists believe that institutional arrangements become bedded down in times of crisis and trauma (cf. Sorge 2005). Over time, as other alternatives appear viable, arrangements will enter a period of decay or drift towards another model (Streeck 2009). Hence, for example, the class compromises that underpinned the 'golden age' from the early 1950s have gradually unwound, initially in LMEs, where they were always weaker, and gradually in the CMEs as well. This does not mean that systems will necessarily converge, but rather that both are drifting towards liberalisation, even if the differences between them endure (Streeck 2009). Streeck (2005: 580) notes that all national types of capitalism embody continuity and change. Even if national economies remain distinct, patterns of behaviour and social relations within them are necessarily fragile and prone to reappraisal and adjustment on an ongoing basis. Again, this makes for diversity within national settings. Even archetypical CMEs, such as Germany and Japan, are characterised by complex and provisional institutional solutions, rather than representing coherent and homogenous wholes.

Structuration theory – and indeed, some strands of the historical institutionalist literature – do highlight the link between agent and structure and see them as mutually constitutive (Jones 2001; Giddens 1984 and 1990; Sorge 2005). As this interaction is spatially and temporarily uneven, this will reinforce, but also constrain diversity within specific contexts (cf. Giddens 1990). However, this does not really answer the question as to where change comes from, and what is sufficiently powerful to disrupt any cycle of mutual constitution (Jones 2001: 824). We are cautious of the notion that institutional arrangements have a natural ‘shelf life’. Rather, there is merit to the view that the admission of external or objective constraints permits one to account for objective factors ‘external to the human consciousness’ (Jones 2001: 824).

The exogeneity of change

In short, what, other than the shifting balance of power between stakeholders through social action, impels institutional change? Diversity and change involve both objective pressures and subjective reinterpretations by actors (Simmel 1977; 1981). What makes an analysis of the interconnectedness of the subjective and the objective difficult is that it can lead to ‘problems of confusion of behavior and outcomes’ (Jones 2001: 825).

The literature on comparative capitalism makes repeated reference to exogenous shocks which spur actors into promoting change (Hollingsworth 2006). Wood and Lane (2012) note that, just as was the case with the economic crisis of the first half of the twentieth century, the present condition is characterised by an energy transition. The former was marked by a shift from coal to oil, whilst the latter provided cheap, highly portable and relatively efficient energy, it also fundamentally changed the relative competitiveness of firms, industries and regions, as well as the allocation of capital (cf. Hackett-Fischer 1996). More specifically, industrial districts which had based their competitiveness at least partially on readily accessible coal reserves entered a long period of decline, which, in most instances, has continued to the present day. Whilst demand for oil is increasing, the proportion of oil as part of the global energy mix has declined since the early 1970s (Jenkins 1989). Such processes greatly favour the owners of highly fungible capital over those whose capital is committed to specific industries, processes and locales (Wood and Lane 2012). Highly fungible capital has a partially statist element that distinguishes it from the concept of *rentiers*: it encompasses not only private speculative interests, but also sovereign wealth funds, with the latter, ironically, often accumulated by petro-states through oil exports.

Where do workers stand in this situation? The human assets and capabilities workers possess are very much less fungible than highly mobile investor capital. The former are often specific to a sector or region (Thelen 2001) and, indeed, their worth may be tied to the broader cognitive capabilities of a specific firm (Aoki 2010). As the competitiveness of firms and regions becomes more volatile, firms will naturally seek to offload as much of the risk on workers: this would make for increasing insecurity, although the nature and extent of this will continue to vary from setting to setting (cf. Streeck 2009). And, as noted above, this process has been coterminous with the rise of a global ‘precariat’ whose great mobility is contingent on its ready substitutability (Standing 2011; cf. Appelbaum 2005). In other words, the ‘precariat’ may be able to take advantage of unforeseen upturns in the demand for labour – and cope better with downturns – by being spatially rootless. The marketability of those in their category depends on a willingness to accept inferior terms and conditions of service and to change occupation readily. In short, systemic crises may reinforce – and intensify – labour-market segmentation and diversity in work and employment-relations practice within and across settings.

A caveat is in order here. We are very aware of the reductionist trap. A central strand in the new political economy literature has been long waves or cycles in capitalist development (Jessop 2001; cf. Polanyi 1944; Kelly 1998). Whilst there is undeniable evidence of such fluctuations, their uneven duration, and persistent variations in the economic fortunes of nations, not only on temporal but also spatial terms (whether due to regional dynamics or specific national political economies), reduce both their predictive and analytical power. Such fluctuations are undeniably due to complex and interconnected causes, of which energy availability is only one dimension. As Jones (2001: 822) notes, a truly satisfactory dissection of the roots of the present condition necessitates a thoroughgoing exploration of the complex interrelationship of the various components of cycles or waves; there is more to human and societal development than simply a shopping list of factors.

However, two issues are especially worth considering. Firstly, energy availability, costing and usage is bound up with technology (Diamond 2005). The emergence of the internal combustion engine, for example, paved the way for the transition to oil, and the continued lack of a single alternative means of locomotion that has the same beneficial features has made the present transition away from oil and gas particularly difficult despite declining reserves and increasing costs. Secondly, as with other energy sources and associated technologies, the usage of large amounts of oil and gas imposes indirect costs in terms of pollution and global warming that are easily offloaded from the individual and the firm onto the commons (Jessop 2008; Diamond 2005). Given that contemporary economic theory prioritises readily calculable present value over more abstract long-term costs (Singer 1995) and, indeed, that a persistent characteristic of human nature has been a reluctance to face up to discomfiting social or environmental challenges, it is likely that environmental catastrophe will present itself prior to the general substitution of hydrocarbons for alternatives (Giddens 2009; Diamond 2005). Again, the costs of environmental crisis will be greatest for those who have invested skills and capabilities in particular locales and industries. Those most likely to benefit are those who can readily reallocate their capital, and/or hold scarce yet generic skills, with losers being increasingly driven down to the human fungibility of the 'precariat' (Standing 2011; Davis 2006).

Given that there is increasing consensus as to the existence of a great systemic crisis (cf. Amable and Palambarini 2009), the question emerges as to what form a new institutional order might assume. A comforting thought within progressive circles has been the Polanyian notion of double-movement, whereby periods of market excess lead to a counter-movement, with a shift back to greater state mediation (Polanyi 1944). This has been associated with predictions of a possible revival in organised labour (Kelly 1998) and, indeed, of a possible return to the 'golden age' of the welfare state. However, as Streeck (2009) notes, societal evolution does not generally unfold on the lines of a swinging pendulum, but rather as a winding path between differing forms of statism and market dominance. As Benjamin (1978) and Wood and Lane (2012) note, historical progress incorporates a destructive element, with the 'angel of history' leaving rubble behind. It may indeed be possible to piece together this rubble, and revive aspects of past institutional orders (Boyer 2006), yet the ultimate form will be very different to the past. Indeed, Polanyi (1944; see also Smith 2001: 814) cautioned that renewed drives for social security motivated by the destructive consequences of unrestrained markets may be all too responsive to extremist agendas and right-wing authoritarianism. Indeed, across large areas of Europe, the immediate political winners of the present crisis have been extreme right-wing political parties, whilst in the US the formerly centre-right Republican party has shifted towards an ever greater extremism. As noted earlier, leading LMEs incorporate some highly statist elements already: any Polanyian double-movement may be leading towards a greater role for national military-industrial, security and penal complexes, rather than towards a revival of social democracy and an associated systemic rebalancing of power within the work-place.

Conclusion

National institutions are neither tightly coupled, nor do they make for coherent outcomes. There is much, albeit bounded, diversity in socio-economic relations within and between firms. This diversity may reflect specific sectoral or regional dynamics, the uneven consequences of social action and governmental partiality to specific players. It also reflects broader changes in the global capitalist ecosystem and the uneven manner in which national institutions seek to accommodate themselves to this (Jessop 2011). Whilst we may have entered a period of institutional drift, this does not necessarily mean that all previously beneficial arrangements have broken down, or that the rise of a coherent alternative order (either globally or country-specific) is visible or even likely.

What does this mean for work and employment relations? On the one hand, labour power encompasses both readily substitutable (e.g. physical strength) and less fungible (e.g. human capital and associated collective capabilities (Aoki 2010)). Periods of sustained crisis are likely to reinforce diversity in work and employment-relations practice, as well as the relative position of different categories of labour. Above all, this process involves the diminution of traditional 'good'

jobs, tied to a particular skill or trade (Wright and Dwyer 2006). Work and employment-relations paradigms have become trifurcated between labour repression centred on a disorganised 'precariat', traditional jobs or jobs associated with modified Fordist practices, and individualised jobs with high pay around scarce yet generic skills. This does not mean this process has been a uniform one, for important differences remain between LMEs and CMEs, even if there has been a common drift towards individualisation (Streeck 2009). Socio-economic relations within the firm are interconnected with the broader external web of socio-economic ties enmeshing the firm and other players (Hancke *et al.* 2007). In other words, the internal elements of bounded regional and sectoral diversity are closely related to their external elements. However, both may be subject to further dislocation owing to the present and sustained nature of the current great systemic crisis.

References

- Amable, B. (2003). *The Diversity of Modern Capitalism*. Oxford: Oxford University Press.
- Amable, B. and Palambarini, S. (2009). 'A Neorealist Approach to Institutional Change and the Diversity of Capitalism', *Socio-Economic Review*, 7, 1: 123-143.
- Aoki, M. (2010). *Corporations in Evolving Diversity: Cognition, Governance and Institutions*. Oxford: Oxford University Press.
- Appelbaum, E., Berhardt, A., Murnane, R. and Weinberg, J. (2005). 'Low Wage Employment in America: Results from a Set of Industry Case Studies', *Socio-Economic Review*, 3, 2: 293-310.
- Arrighi, G. 2005. 'Hegemony Unravelling', *New Left Review*, 33: 83-116.
- Bartelt, N. and Jacob, A. (1999). 'Venture Capital as One Solution for the Capital Structure'. In Koblenz, W. (ed.), *Structure and Dynamics of the German Mittelstand*. Heidelberg: Physica Verlag.
- Benjamin, W. (1978). *Reflections*. New York: Harcourt Brace Jovanovich.
- Blackburn, R. (2006). 'Finance and the Fourth Dimension', *New Left Review*, 39: 39-70.
- Blackburn, R. (2008). 'Financialization and the Sub-Prime Crisis', *New Left Review*, 50: 63-106
- Boyer, R. (2010). 'The Collapse of Finance, But Labour Remains Weak', *Socio-Economic Review*, 8, 2: 348-353.
- Boyer, R. (2006). 'How do Institutions Cohere and Change'. In G. Wood and P. James (eds.), *Institutions and Working Life*. Oxford: Oxford University Press.
- Crouch, C. (2005). 'Three Meanings of Complementarity', *Socio-Economic Review*, 3, 2: 359-363.
- Crouch, C. and Voelzkow, H. (2004). 'Introduction'. In C. Crouch, P. Le Galès, C. Trigilia, and T.H. Voelzkow (eds.), *Changing Governance of Local Economies*. Oxford: Oxford University Press
- Crouch, C., Schroeder, M. and Voelzkow, H. (2009). 'Regional and Sectoral Varieties of Capitalism', *Economy and Society*, 38, 4: 654-678.
- Davis, M. (2006). *Planet of Slums*. London: Verso.
- Deeg, R. and Jackson, G. (2007). 'Towards a More Dynamic Theory of Capitalist Diversity', *Socio-Economic Review*, 5, 1: 149-180.
- Diamond, J. (2005). *Collapse: How Societies Choose to Fail or Succeed*. New York: Viking Books.
- Dore, R. (2000). *Stock Market Capitalism: Welfare Capitalism*. Cambridge: Cambridge University Press.
- Dore, R. (2008). 'Best Practice Winning Out?', *Socio-Economic Review*, 6, 4: 779-784.
- Estevez-Abe, M., Iverson, T. and Soskice, D. (2001). 'Social Protection and the Formation of Skills'. In P. Hall and D. Soskice (eds.), *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*. Oxford: Oxford University Press.
- Giddens, A. (1984). *The Constitution of Society*. Cambridge: Polity.
- Giddens, A. (1990). *The Consequences of Modernity*. Cambridge: Polity.
- Giddens, A. (2009). *The Politics of Climate Change*. Cambridge: Polity.
- Goergen, M., O'Sullivan, N. and Wood, G. (2011). 'Private Equity Takeovers and Employment in the UK', *Corporate Governance: An International Review*, 19, 1: 259-275.
- Habermas, J. (1993). *Moral Consciousness and Communicative Action*. Cambridge: Polity.

- Hackett-Fischer, D. (1996). *The Great Wave*. Oxford: Oxford University Press.
- Hall, P. and Gingrich, D. (2004). Varieties of Capitalism and Institutional Complementarities in the Macroeconomy, *MPIfG Discussion Paper 04/5*, Max Planck Institute, Cologne.
- Hall, P. and Soskice, D. (2001). 'An Introduction to the Varieties of Capitalism'. In P. Hall and D. Soskice (eds.), *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*. Oxford: Oxford University Press.
- Hancke, B., Rhodes, M. and Thatcher, M. (2007). 'Introduction'. In B. Hancke, M. Rhodes and M. Thatcher (eds.), *Beyond Varieties of Capitalism: Conflict, Contradiction, and Complementarities in the European Economy*. Oxford: Oxford University Press.
- Harvey, D. (2004). *The New Imperialism*. Oxford: Oxford University Press.
- Hasik, J. (2008). *Arms and Innovation*. Chicago: University of Chicago Press.
- Höpner, M. (2005). 'What Connects Industrial Relations and Corporate Governance? Explaining Institutional Complementarity', *Socio-Economic Review*, 3, 2: 331-358.
- Hollingsworth, Rogers, J. (2006). 'Advancing our Understanding of Capitalism with Niels Bohr's Thinking about Complementarity'. In G. Wood and P. James (eds.), *Institutions and Working Life*. Oxford: Oxford University Press.
- Hudson, R. (2012). 'Capitalism and the Legacies of Neo-liberalism'. In C. Lane and G. Wood (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.
- Jacoby, S. (2005). *The Embedded Corporation: Corporate Governance and Employment Relations in Japan and the United States*. Princeton: Princeton University Press.
- Jenkins, G. (1989). *Oil Economists' Handbook*, 5th Edition. London: Taylor and Francis.
- Jessop, B. (2001). 'Series Preface'. In B. Jessop (ed.), *Regulation Theory and the Crisis of Capitalism. Volume 4: Country Studies*. Cheltenham: Edward Elgar.
- Jessop, B. (2008). 'Polanyian, Regulationist and Autopoietic Reflections on States and Markets and their Implications for the Knowledge-Based Economy'. In A. Ebner and N. Beck (eds.), *The Institutions of the Market*. Oxford: Oxford University Press.
- Jessop, B. (2012). 'Rethinking the Diversity and Variability of Capitalism: On Variegated Capitalism in the World Market'. In C. Lane and G. Wood (eds.), *Institutions, Internal Diversity and Change*. London: Routledge.
- Jones, B. (2001). 'International Political Economy'. In Jones, B. (ed.), *Routledge Encyclopedia of International Political Economy*. New York: Routledge.
- Juergens, U. (2003). 'Transformation and Interaction: Japanese, U.S., and German Production Models in the 1990s'. In K. Yamamura and W. Streeck (eds.) *The End of Diversity? Prospects for German and Japanese Capitalism*. Ithaca and London: Cornell University Press.
- Kelly, J. (1998). *Rethinking Industrial Relations - Mobilization, Collectivism and Long Waves*. London: Routledge.
- Lane, C. and Wood, G. (2009). 'Diversity in Capitalism and Capitalist Diversity', *Economy and Society*, 38, 4: 531-551.
- Lane, C. and Wood, G. (2012). (eds.) *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.
- Mann, M. (2003). *Incoherent Empire*. London: Verso.
- McEwan, A. (1999). *Neoliberalism or Democracy*. London: Zed.
- Morgan, G. and Kubo, I. (2005). 'Beyond Path Dependency? Constructing New Models for Institutional Change: The Case of Capital Markets in Japan', *Socio-Economic Review*, 3, 1: 55-82.
- Myrdal, G. (1957). *Economic Theory and Underdeveloped Regions*. London: Gerald Duckworth.
- Pagano, M. and Volpin, P. (2005). 'The Political Economy of Corporate Governance', *American Economic Review*, 95, 1005-1030.
- Polanyi, K. (1944). *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.
- Rehberg, K.-S. (2006). 'Institutions'. In Harrington, A., Marshall, B. and Müller, H-P. *Encyclopedia of Social Theory*. New York: Routledge.
- Sako, M. and Kotosaka, M. (2012). 'Institutional Change and Organizational Diversity in Japan'. In Lane, C. and Wood, G. (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.
- Sewell, W. (2008). 'The Temporalities of Capitalism', *Socio-Economic Review*, 6, 3: 517-537.
- Simmel, G. (1977). *The Philosophy of History*. New York: Free Press.
- Simmel, G. (1981). *On Individuality and Social Forms*. Chicago: University of Chicago Press.
- Singer, P. (1995). *Practical Ethics*. Cambridge: Cambridge University Press.

- Sorge, A. (2005). *The Global and the Local*. Oxford: Oxford University Press.
- Standing, G. (2011). *The Precariat: The New Dangerous Class*. London: Bloomsbury Academic.
- Streeck, W. (2005). 'Rejoinder: On Terminology, Functionalism (Historical), Institutionalism and Liberalization', *Socio-Economic Review*, 3, 3: 577-588.
- Streeck, W. (2009). *Reforming Capitalism: Institutional Change in the German Political Economy*. Oxford: Oxford University Press.
- Streeck, W. and Thelen, K. (2005). 'Introduction: Institutional Change in Advanced Political Economies'. In W. Streeck and K. Thelen (eds.), *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: Oxford University Press.
- Thelen, K. (2010). 'Beyond Comparative Statics'. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen and R. Whitley (eds.), *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press.
- Thelen, K. (2001). 'Varieties of Labour Politics in the Developed Democracies'. In P. Hall and D. Soskice (eds.), *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*. Oxford: Oxford University Press.
- Trigilia, C. and Burroni, L. (2009). 'Italy: Rise, Decline and Restructuring of Organized Capital', *Economy and Society*, 38, 4: 630-653.
- Weiss, L. (2010). 'The State in the Economy'. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen, R. and Whitley (eds.), *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press.
- Whitley, R. (2007). *Business Systems and Organizational Capabilities*. Oxford: Oxford University Press.
- Whitley, R. (2010). 'Changing Competition in Market Economies'. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen and R. Whitley (eds.), *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press.
- Wolfson, M. (2003). 'Neoliberalism and the Social Structure of Accumulation', *Review of Radical Political Economics*, 35, 3: 255-263.
- Wood, G. and Demirbag, M. (2012). 'Institutions and Comparative Business Studies'. In M. Demirbag and G. Wood, *Handbook of Institutional Approaches to International Business*. Cheltenham: Edward Elgar.
- Wood, G. and Lane, C. (2012). 'Institutions, Change and Diversity'. In C. Lane and G. Wood (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.
- Wright, E. and Dwyer, R. (2006). 'The Patterns of Job Expansion in the USA'. In G. Wood and P. James (eds.), *Institutions and Working Life*. Oxford: Oxford University Press.



The
University
Of
Sheffield.

Sheffield Political Economy Research Institute
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP

T: +44 (0)114 222 8346
E: speri@sheffield.ac.uk