

Industrial & Labor Relations Review

Volume 59, Issue 1

2005

Article 88

How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan

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practitioners in 50 areas in 23 states. They note that WIA's "work first" emphasis has resulted in a trend away from skill training. Since the time of JTPA, the proportions of program participants receiving occupational skill training, basic skills instruction, and on-the-job training have declined, respectively, from 67% to 42%, from 18% to 2%, and from 9% to 5%. Moreover, training duration has shortened, with 34% of WIA participants enrolled less than three months compared to 26% of JTPA participants. Still, they laud WIA as a movement away from "silo programs" for the disadvantaged and dislocated and toward a "first-class workforce development system" providing "an array of career tools for the universal customer."

In Chapter 5, Janet Javar and Stephen Wandner highlight the role of community-based and faith-based organizations, community colleges, and other public education institutions and for-profit companies and proprietary schools as supplements to and substitutes for the public employment service in the provision of WIA services. Paul Decker and Irma Perez Johnson in Chapter 6 highlight the use of Individual Training Accounts as vouchers to allow eligible clients to make their own choices among services and among eligible training providers to provide those services. They see "empowering customers and increasing accountability" as key goals of WIA but perceive many obstacles along the way.

In Chapter 7, Robert Lemon, Signe-Mary McKernan, and Stephanie Riegg turn attention away from training that is publicly financed or publicly administered (or both) to examine the volume and results of employer-provided training. They quote estimates indicating that from 23.6% to 69.8% of all employees receive some formal training at employer expense, including tuition reimbursement as well as on-the-job training. Of course, the employers choose whom to employ and train, whereas the publicly supported programs are trying to influence whom the employer chooses. Lori Kletzer and William Koch, in Chapter 8, compare the practices of seven other countries and draw lessons for public policy.

In the final chapter, the editors summarize the WIA experience, but only to 2001. They are generally favorable to the Individual Training Account approach, the values of individual choice, and the generalization of eligibility. Yet they recognize the decline in available resources and the need for a "renewed sense of mission to assist the most vulnerable members of our society, such as at-risk youth and individuals with

disabilities." They cite the rising skill requirements of the economy but do not note the implications of that trend for the relatively short-term remedial skill training practices of WIA and its predecessors. An unstated recognition of that incongruence may, however, underlie their recommendation that the federal role in employment and training evolve into providing pilot programs, information on best practices, and a clearinghouse of information, leaving state community colleges as the primary instruments for employability development.

The Upjohn Institute and the editors and authors have provided a sound review of the 2001 status of that portion of U.S. job training policy represented by the Workforce Investment Act and its predecessors. It would have been helpful to note the consequences of deleting from JTPA and WIA the subsistence payments provided by MDTA and CETA.

Since CETA ended, only welfare recipients and those with other earners in the family have been able to use training programs for the disadvantaged. No attention is given to the general inability of such short-term programs to meet the remedial requirements of at-risk youth. Brief mention is made of the values of co-enrollment among various programs. But nowhere is it noted that, with lengthening career preparation requirements, the Pell Grant is becoming more important than WIA in preparing both low-income youth and low-income adults for occupations capable of providing family-sustaining earnings.

The 2004 volume is a valuable contribution, but it can also be seen as—in the Upjohn tradition—a single step in a march forward that will not end, since society itself will not stop changing. Its successor should focus more precisely on how subsistence might be provided to allow an adequate second chance at climbing a career ladder to a family-sustaining earnings level, with perhaps 50% of median family income as the minimum target.

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International and Comparative

How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan. By Kathleen Thelen. Cam-

bridge: Cambridge University Press, 2004. xv, 333 pp. ISBN 0-521-83768-5, \$75.00 (cloth); 0-521-54674-5, \$29.99 (paper).

Kathleen Thelen, Professor of Political Science at Northwestern University, has written an ambitious book dealing with important issues in political economy and in social theory. *How Institutions Evolve* begins with questions important to economists and historians: why American workers receive less training than do workers in Germany, why Japanese firms established a system of lifetime employment for some of their skilled workers, and why British workers have maintained craft unions for so long after workers in other countries adopted industrial forms of union organization. But Thelen has a still larger question in mind. Rejecting popular conceptions in which institutions follow a set trajectory that is basically the same in all national and societal settings, she argues that particular historical events, critical episodes, put institutions on different paths in different countries. She begins with path dependency whereby critical episodes establish institutions; but the big point in her book is that established institutions are not in an equilibrium position but continue to change, to evolve in directions, or paths, that depend on the nature of the initial and subsequent shock.

Thelen begins with Germany and its system for providing broad, all-around training to workers, especially in metal manufacturing. She relates the establishment of this system to efforts by conservative governments to protect their political base. In the late nineteenth century, the German state was challenged by a working-class socialist left whose strength grew with the development of modern industry and large-scale metallurgy. To shore up the economic position of their electoral base in small business and the artisanal crafts, German officials gave artisan and handicraft associations the authority to regulate apprenticeship and worker training. Handicraft employers then used their authority to ensure that workers would continue to receive broad training that would allow them to enter a variety of employments. Both large employers and unions challenged this monopoly position. Employers wanted to be able to train and certify workers to their own standards in their own shops; both large employers and unions were concerned that apprentices were abused as cheap labor in the handicrafts. Gradually, pressure from big business and unions would lead German state offi-

cial to reduce the handicrafts' monopoly over training; but the all-around training provided in the crafts remained the standard for German workers through the twentieth century.

Elsewhere, the balance of class forces led to the establishment of different training regimes, and the evolution of different managerial styles. In Britain, the early development of craft unions and the reluctance of employers to confront them left craft unions in control of training. By contrast, large employers in the United States gained exclusive control over training after crushing manufacturing craft unions; and in Japan, rapid industrialization and the slow development of employment bureaucracies left craft workers in control of hiring and training. In each country, training and employment systems reflected the conditions of their initial establishment; but Thelen shows how each system continued to evolve because the established institutions always left some economic and political conflicts unresolved. The Japanese *oyakata* system, for example, allowed companies to economize on management by leaving skilled workers in control of training, but it also led companies to establish elaborate systems of internal labor markets in an effort to control labor mobility. Having accepted union control over skills, British employers then fought fiercely with craft unions to reassert managerial control. And in the United States, employers who had rejected the public provision of training whether by unions, by the state, or by management associations sought to rationalize production in order to reduce their dependence on relatively scarce skilled labor. In each case, Thelen relates the later evolution of training institutions to the way training institutions were initially established in the late nineteenth century.

Full of intelligence, Thelen's book is an important study in labor history and labor economics, and it should be read by all who are interested in the role and development of social institutions. By pushing the envelope of social theory and moving beyond simple path-dependency, the book lays bare some of the limitations of established institutional theory. The book's theoretical clarity also allows the reader to evaluate carefully the limits of Thelen's own analysis. Clearly uncomfortable with the often *ad hoc* nature of path-dependency treatments, she often fails to move beyond this approach to establish a closed theory. This is especially the case in her work outside of Germany. Why, for example, were British employers reluctant to crush craft unions and replace their training

and certification functions with employers' associations? Why did the Japanese not substitute for independent craftsmen the way the United States did? And why did employers in U.S. construction not crush craft unions the way their counterparts in manufacturing did? I suspect that to answer these questions, Thelen would need to do for Britain, Japan, and the United States more of what she has done for Germany, moving beyond her business and economic studies to investigate the political balance in each of these countries. She has done us a great service in replacing simple determinism; the next step is to develop a full political model.

How Institutions Evolve advances our understanding not only of an important economic issue, but also of social and historical theory. It is an important work that should be read by all social scientists.

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International and Comparative

Industrial Relations and European Integration: Trans- and Supranational Developments and Prospects. Edited by Berndt Keller and Hans-Wolfgang Platzer. Aldershot and Burlington: Ashgate, 2003. 182 pp. ISBN 0-7546-3336-5, \$79.95 (cloth).

This book contributes to the literature on European industrial relations that focuses on transnational and supranational developments in the European Union (EU)—in particular, EU institutions, laws, and political processes. (*Transnational* applies to processes occurring between or across nations, whereas *supranational* loosely means “above the nation,” and often is used in reference to political bodies of the EU such as the European Commission.) The greatest merits of the book are the breadth of its survey and the clarity and concision of its presentation. Bringing together some of the foremost European experts, the volume presents state-of-the-art research on European industrial relations, including contributions by Gerda Falkner on the interprofessional social dialogue (Chapter 2) and Franz Traxler on collective bargaining in the context of the European Monetary Union (Chapter 3). The book is

a useful complement to *Changing Industrial Relations in Europe*, edited by Anthony Ferner and Richard Hyman (Blackwell, 1998), which is a comparative treatment of industrial relations in a number of EU countries.

Because industrial relations were almost exclusively confined within national boundaries of the EU member states until the early 1990s, the focus of the book is on the developments and key aspects of European industrial relations since then. Key steps in the evolution of a European dimension to industrial relations were the European Works Council (EWC) directive in 1994 and the legislation on parental leave in 1996, which was at first negotiated between European employers and union associations and later adopted as a directive by the European Commission. The directive states that parental leave is a right linked to employment and that its duration ought to be three months for employees in the European member nations. Gerda Falkner analyzes why European employer and union associations negotiated an agreement despite opposing interests. She argues that the negotiations took place in the “shadow of the law” and were spurred by the announcement of the European Commission to decide this issue unilaterally if the associations did not reach an agreement on their own.

The arrangement of the volume as an overview of different components of transnational European industrial relations is not without drawbacks. Some interesting research questions outlined in the introductory chapter, particularly those concerned with the contradictory “market-making” and “market-correcting” developments in EU integration, are not analyzed systematically. Crucial “market-making” steps were the treaty of Maastricht, which extended national labor and product markets to the European Single Market, and the introduction of the common currency, the Euro, in 2002. The contributors tend to argue that these and other policies increased the competitive pressures on labor, and that they prevail over the EU social dimension and market correcting policies. This point is most clearly made by Torsten Schulten in his article on attempts to coordinate collective bargaining across Europe (Chapter 6). He states, “On the one hand European economic integration is increasingly undermining the basic function of collective bargaining—the removal of wages and working conditions from the spheres of competition. On the other hand, the emergence of a supranational European collective bargaining system does not