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Convergence and Diversity in International and Comparative Industrial Relations

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Convergence and Diversity in International and Comparative Industrial Relations

Abstract
[Excerpt] In this essay, we reexamine a critical paradox in international and comparative industrial relations, a paradox that already decades ago demonstrated its ability to intrigue scholarly curiosity (Galenson, 1952, 1963; Kerr et al, 1960). As we see it, convergence along a number of important dimensions, such as labor law and organizational and bargaining structure, is occurring simultaneously with widespread cross-national and local divergence, or diversity, in industrial relations practices and outcomes. Along with economic and political interdependence and with intensifications of market competition, convergence and diversity both appear to be product of an increasing spread of markets and ideas sometimes referred to as "globalization."

In employing this term, we intend to make the point that the conduct of global business is no longer confined to the sort of international trading and related activities that have been carried on for centuries already. In the modern era, the production and exchange of both goods and services occur increasingly on a global scale (Reich, 1991). At this level, as capital mobility expands and trade agreements proliferate (NAFTA, CATT, the single European market), national governments find it increasingly difficult to regulate markets. This globalization of markets, we suggest, is the dominant force driving change (whether toward convergence or diversity) in the contemporary period. Our observations are especially applicable to the advanced industrial countries of the Organization for Economic Cooperation and Development (OECD), the primary focus of this paper, although the trends identified here probably also hold to some extent for newly industrialized countries and less developed societies as well.

Keywords
industrial relations, international comparison, globalization, markets, trade, mobility

Disciplines
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“Market forces drive convergence in industrial relations, while both a decentralization of bargaining and contrasting national institutions refract change into diverse channels.”

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**John P. Windmuller** is Martin P. Catherwood Professor (Emeritus) in Cornell’s ILR School. Among his books are *The International Trade Union Movement* and *Collective Bargaining in Industrialized Market Economies: A Reappraisal*. 
In this essay, we reexamine a critical paradox in international and comparative industrial relations, a paradox that already decades ago demonstrated its ability to intrigue scholarly curiosity (Galenson, 1952, 1963; Kerr et al., 1960). As we see it, convergence along a number of important dimensions, such as labor law and organizational and bargaining structure, is occurring simultaneously with widespread cross-national and local divergence, or diversity, in industrial relations practices and outcomes. Along with economic and political interdependence and with intensifications of market competition, convergence and diversity both appear to be product of an increasing spread of markets and ideas sometimes referred to as "globalization."

In employing this term, we intend to make the point that the conduct of global business is no longer confined to the sort of international trading and related activities that have been carried on for centuries already. In the modern era, the production and exchange of both goods and services occur increasingly on a global scale (Reich, 1991). At this level, as capital mobility expands and trade agreements proliferate (NAFTA, CATT, the single European market), national governments find it increasingly difficult to regulate markets. This globalization of markets, we suggest, is the dominant force driving change (whether toward convergence or diversity) in the contemporary period. Our observations are especially applicable to the advanced industrial countries of the Organization for Economic Cooperation and Development (OECD), the primary focus of this paper, although the trends identified here probably also hold to some extent for newly industrialized countries and less developed societies as well.

Convergence can be seen, for example, in the role of law and government. In the 1950s and 1960s, as we indicate in more detail below, law in the United States emphasized procedure and left substantive outcomes to the bargaining partners, whereas to a large extent the reverse was true of continental Europe. Since the 1960s, however, the United States has turned to more substantive rule-making by government, especially in employment legislation. Conversely, many Western European governments have passed major legislation to regulate procedural rule-making. Among them are the wave of legislation on codetermination and union and management rights and obligations in Sweden in the 1970s, the 1982 Auroux laws in France, the expanded procedural legislation enacted in West Germany in the 1970s, and the Labour and Tory legislation of the 1970s and 1980s in Britain.

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Convergence can also be seen in a number of other areas, to some of which we shall refer in some detail below. They include changes in the established position of unions, major challenges to union influence and in many cases union decline, concentration of union membership in fewer but larger unions, attempts to strengthen the base of union structures (local unions, stewards, bargaining rights), and the professionalization of high-level union offices. Other developments in collective bargaining also demonstrate convergence: widespread decentralization of bargaining structures and practices, employer strategies to decentralize and to weaken and/or neutralize union influence, and increasing public sector unionization and collective bargaining in the U.S., thus narrowing the once substantial contrast with Western Europe. International developments such as the spread of nationally based works councils as well as European works councils through the implementation of the so-called social dimension in the European Union further illustrate the convergence trend.

At the same time, however, rapidly changing world markets are bringing about a widespread decentralization of bargaining that is giving rise to, and accentuating, plant- and firm-level diversity in industrial relations. New production organization (just-in-time supplier networks, outsourcing, shop floor teamwork) and new microelectronic technologies depend on the active participation of individual employees and in many cases of local unions or works councils; and an expanding base-level participation gives rise to great local and cross-national diversity. Successful innovations in both work organization and industrial relations are usually based on particular local and national institutions as well as company traditions, which accounts for contrasting forms in different countries and at different firms and plants. Examples of diversity include widespread differences in working hours arrangements, in the role that local unions and/or works councils play in management decision making, in the strength of employee representation, in the success of employer "individuation" strategies, in the relative success of [quality circles and other] team or group forms of organization, and in the relationship between local and national unions, and between local and national or regional bargaining.

In addition, convergence is limited by the persistence of very different national economic and political institutions. For instance, while Germany, Japan, and the United States function within a framework of market economics and political democracy, the specific rules, institutions, and actors regulating market and polity vary substantially from one country to the next. In this broader context, the roles of unions, employers and employers associations, collective bargaining, and plant-level negotiations show enduring and important cross-national variation.

Interestingly, similar forces are at work driving both convergence and diversity. Convergence is driven by international competition and new technologies, by the ongoing internationalization of industrial relations through multinational firms, by international networks linking unions, employers, employer associations, and governments, and by the beginnings of international or regional compacts and standards, especially in Europe. One important aspect of convergence is the widespread devolution of bargaining to sectoral, firm, and even plant levels. Yet this decentralization produces and reinforces considerable diversity in cross-national and local industrial relations. This is especially true as decentralization takes place in the varying contexts of substantially different national institutions.

Our aim in this paper is to lay out the contours of both convergence and diversity in international and comparative industrial relations. We believe that the decades-old controversy about which of the two is primary has exhausted its utility in a post-Cold War world of uncertainty and disarray (cf. Kerr et al., 1960; Chamberlain, 1961; Armingeon, 1991; Troy, 1992; Poole, 1993). Rather, we need to specify what is converging cross-nationally and what is diverging—empirical questions—and most importantly, why. Explanation requires the development and testing of specific hypotheses, for which comparative analysis is particularly well suited.
Convergence

Convergence is an elusive concept, as is its counterpart—divergence, or diversity—especially when they are conscripted, as is the case here, to illuminate complex developments affecting a number of countries that exhibit a remarkable range of contrasts and similarities in their industrial relations systems. Ferner and Hyman’s equivocation sums it up well: “There has been convergence of systems in some respects, but increased diversity in others” (1992). Here we want to explore first some convergence trends in the countries of Western Europe and North America—a group roughly corresponding to the membership of the OECD.

In the 1960s the idea of convergence became closely associated with the work of Clark Kerr and his collaborators—John Dunlop, Frederick Harbison, and Charles Myers—in what was at first called the “Inter-University Study of Labor Problems in Economic Development” (Kerr et al., 1960). These four labor economists, initially interested chiefly in problems of industrial relations and trade unionism as related to economic development, built on earlier work by Dunlop (1958) and other members of the Inter-University Study (Kerr and Siegel, 1955; Harbison and Myers, 1959) in making the functioning of industrial society the principal focus of their concern. Was there, they asked, a certain order, a logic, in a process that seemed almost everywhere—whether East or West, or even South—to lead to the emergence of an industrial type of society? Which “elites” in industrializing and preindustrializing societies were destined to become the initiators of the process leading to new social systems (industrialism)? How did they go about it? And irrespective of initial differences in national contexts, leadership, and ideology, did industrial societies tend to grow apart as they became ever more industrialized? Or did they exhibit, in due course, increasing similarities? In other words, did they converge? The answer by Kerr and associates, to which they clung over the years despite much criticism (see for example Gourevitch et al., 1984), was an unqualified affirmative.

Eventually the focus of the inquiry shifted from the initial concern with questions of interest principally to labor economists to a much broader quest. It became instead a search for the factors that seemed to account for an apparently ever-closer rapprochement between Western (capitalist) and Eastern (communist) countries, particularly in terms of their overall development pattern. This change to a broader set of questions was reflected in the decision to change the title of the project from the 1960s onward to “The Inter-University Study of Human Resources in National Development” (Cochrane, 1979).

Fifteen years after publishing their much-noticed work entitled Industrialism and Industrial Man (Kerr et al., 1960), the group issued its Final Report (Dunlop et al., 1975). While conceding that several of their earlier themes regarding the formation of industrial societies had not stood the test of time and needed to be reformulated, they insisted that their conclusions with regard to the convergence of industrial systems merited a renewed statement of support. “Industrialized systems,” they asserted, “tend toward partial, multiway convergence over a long period of time.” Some years later, Clark Kerr again expressed confidence in the inevitability of the convergence process when, in the course of a series of lectures, he stressed “the tendency of [industrial] societies to grow more alike, to develop similarities in structures, processes, and performances” (Kerr, 1983).

It should be understood that, for the Kerr group, convergence was not required to be a state of perfect identity. Convergence was, instead, “concerned with the general direction of movement rather than current status alone” (Kerr, 1983: 34). The central issue, thus, was not whether two or more situations were at any given time the same or not, “but whether they are getting closer to each other over time, although perhaps still far apart” (Kerr, 1983).

Supporters of the convergence thesis have continued to stress that convergence need not be total, but that partial change may also constitute valid evidence. For example, Reinhard Skinner argues that “to deny similarities altogether in the name of differences is to fall into
the trap of total historical and cultural relativism. In short, con-
vergence need not be ‘total’ and differences as well as similarities need to 
be taken into account” (Skinner, 1976). And in his most recent assess-
ment Kerr was prepared to agree that neither convergence nor diver-
sity would ever become the dominant force: “There will be constant 
adjustments between these eternally conflicting themes, but no per-
manent settlement” (Kerr, 1983: 296).

How does convergence relate to the area of industrial relations? 
What is there in industrial relations that may reasonably be expected 
to converge? There are no “protected” areas, no inherent restrictions. 
The operation of the labor market, the structuring of the legal frame-
work, the role entrusted to government, the rules governing collective 
bargaining, the policies of the organizations representing employer 
and employee interests—all are capable of converging. Indeed, in re-
cent decades some of the once striking contrasts between Western in-
dustrial relations systems—especially between the continental 
countries of Western Europe and North America—appear to have be-
come markedly less clear-cut. Convergence trends become particu-
larly noticeable when one examines the role of law and government, 
the position of trade unions in society, and certain key attributes of 
collective bargaining.

We shall consider, first, the role of law and government. Until the 
1950s and into the 1960s, the role of law in the American system of in-
dustrial relations was primarily concerned with the resolution of pro-
cedural conflicts. The law prescribed procedures for determining the 
appropriate unit for collective bargaining, the principles for selection 
of an exclusive bargaining agent to represent the employees in a 
defined bargaining unit, and the boundaries separating permissible 
from proscribed conduct by the parties. By contrast, the substantive 
terms and conditions under which work was performed were left to 
the outcome of negotiations between the parties, who were to be 
helped along in their attempts to reach agreement by public or private 
agencies with special competence in resolving industrial disputes. In 
any event, the main body of American labor relations law, as promul-
gated first in the Wagner Act (1935) and subsequently the Taft-Hartley 
Act (1947), determined the basic procedural rules governing the rela-
tions between the parties, while the substantive terms of the employ-
ment relationship were left predominantly to negotiations between 
the parties. Comparing European with American labor relations law, 
Derek Bok pointed out that “legislators in the United States have been 
more concerned with regulating and promoting collective bargaining 
and less inclined to pass laws that actually fix the terms and condi-
tions of employment” (Bok, 1971: 1417).

To be sure, there were exceptions. The U.S. government did estab-
lish some important substantive standards, among them particularly 
the minimum terms of employment that were contained in the Fair 
Wages and Hours Act (1938), but that legislation and related items had 
far more significance for the non-union sectors than for industries 
and occupations where collective bargaining to set the terms and con-
ditions of work was well established or about to become so.

In most Western European countries the situation was to a large 
extent and for a long time almost exactly the reverse. The formulation 
of procedural rules was more often than not left to be worked out by 
the parties—for example, regarding the presence of shop stewards in 
the workplace and the rights they were granted to perform their 
tasks—while the role of the state centered on the promulgation of 
substantive employment conditions, usually in the form of legally 
binding minimum standards. An important exception, one among a 
few, was the German codetermination legislation which prescribed in 
considerable detail the rules governing the operation of the works 
council system. But in Britain, France, and other countries, though not 
in Germany, such eminently procedural issues as employer recogni-
tion of employee organizations for purposes of collective bargaining 
remained ultimately—that is, in the event of unbridgeable disagree-
ments—within the decision-making prerogatives of employers, al-
though in Britain union strength was often a match for the employer 
side. This was, of course, also far removed from practice in the United 
States, where procedural controversies were usually referred to spe-
cialized administrative agencies operating within the framework of 
public policies and judicial decisions.
But since the 1950s and 1960s a significant bilateral reversal in how government plays its role in industrial relations has occurred. In the United States, where historically the state had largely abstained from major interventions in substantive rule-making, the legal framework was expanded by incorporating a large body of substantive law, principally in the area of employment legislation (Equal Employment Opportunity Act, 1964; Occupational Safety and Health Act, 1970; Employment Retirement Income Security Act, 1974; Worker Adjustment and Retraining Act, 1988). Several of the leading Western European countries enacted legislation reflecting a previously uncommon readiness to formulate rules covering the procedural relations between the parties in the labor market.

In some instances, of which Britain is probably the foremost example, the enlarged governmental role in the procedural area brought about considerable changes in the industrial relations system. To be sure, an initial attempt in that country to introduce a comprehensive set of procedural rules through the Industrial Relations Act of 1971, whose key provisions were adapted from the American Taft-Hartley Act in a striking demonstration of convergence, was an utter failure, not least because employers were reluctant to make energetic use of the opportunities which the 1971 act afforded them.

Repeal of the 1971 act after a few ill-fated years was followed by a renewed and tactically much superior effort under Margaret Thatcher's inspiration to use legislation in the 1980s in order to widen the area covered by procedural regulations. Voluntarism, which had been the dominant principle of British labor-management relations since at least 1906, was gradually superseded by a string of legal prescriptions laying down the terms under which unions would henceforth conduct their dealings with employers and their own members, in particular the Employment Acts of 1980, 1982, 1988, 1989, and 1990; the Trade Union Act of 1984; and the Wages Act of 1986, plus several statutory Codes of Practice (Ferner and Hyman, 1992). Standing out in the new rules were, in particular, limits on secondary boycotts and stranger picketing, required postal ballots for compulsory prestrike votes, mandatory balloting procedures for candidates for policymaking union positions, restrictive conditions for the maintenance of union-directed political funds, and the virtual elimination of closed shops—all matters that under British law and practice had previously been left to determination by the parties themselves.

Also illustrative of similarities between American and British industrial relations was the formation in 1974 of a British statutory body—the Advisory, Conciliation and Arbitration Service (ACAS)—as an agency financed by public funds but, like the U.S. Federal Mediation and Conciliation Service, serving the needs of the parties in the industrial relations system. Interestingly, the statutory duty to promote collective bargaining, which the law imposes on ACAS, bears a close resemblance to the introductory language of the Taft-Hartley Act, and ACAS recommendations to settle a dispute may not be compelled to conform to government policies.

Considering that the Labour party, while in opposition, had indicated its intention to retain much of the Conservative party's procedural legislation in the event Labour became the party of government, it would appear that the part played by public policies in establishing the procedural rules for the British industrial relations system has been decisively and probably permanently enlarged. At the same time, the area traditionally left to rules shaped jointly by the parties is narrowing. In other words, the legislation of the 1980s has put a very large dent in the historic ability of the parties to construct their own procedural rules free of government intervention.

Several other European countries have similarly enlarged the government's procedural rule-making role by legislation covering issues previously left mainly to the parties to resolve. In Sweden a series of laws enacted in the 1970s included shop steward rights in the workplace, employee membership on corporate boards of directors, the elimination of traditional management prerogatives (as for example by the introduction of statutory codetermination, 1976), and mandatory negotiations to settle certain conditions of employment. The legislation represented a major revision of the traditional "freedom of the labor market," which means that to the largest extent possible the parties make their own procedural and substantive rules. And similar to
the situation in Great Britain, no efforts were made by the political opposition, after it became the party of government (1976 to 1982), to repeal or at least modify the procedural legislation.

In France, a country without a tradition of voluntarism or so-called freedom of the labor market, the state has long played an active role, procedurally and substantively, in industrial relations. Nevertheless, the four “Auroux laws” — enacted in 1982–83 and carrying the name of the minister of labor in office at that time — went even further than previous efforts in attempting to bring about incisive changes in dealings between employers and employees at the level of the workplace, including the introduction of a novel “duty to bargain” at local or plant levels. Here, too, when political parties representing the conservative forces in society gained and held office from 1986 to 1988, and then returned to office again in 1993, they made no attempt to overturn the Auroux legislation. Finally, codetermination legislation enacted in West Germany in 1972 and 1976 introduced significant changes in the procedural rules regulating the industrial relations system. It included, in particular, a significant expansion of works council rights, a strengthening of the union’s position in relation to the works council, and the addition of rules concerning the role of the supervisory boards.

In sum, while European governments in recent decades resorted to legislation to prescribe the terms under which the parties in industrial relations are supposed to deal with each other, and while they moved closer to American practice in prescribing procedural matters — such as the decentralization of collective bargaining to enterprise and subenterprise levels, the formation of independent public bodies (such as the ACAS) to resolve industrial disputes, and the regulation of the collective bargaining process (Auroux) — American industrial relations legislation enacted at about the same time concerned itself mainly with the kind of substantive issues that most European countries have long entrusted to the legislative process.

Additional similarities have marked the policies of trade unions in Western industrialized countries during the past few decades. Almost without exception, the decade of the 1970s was one of rising membership ranks, absolutely and relatively. In several countries an all-time membership peak was reached in 1979. Likewise, when in the 1980s a long period of stagnation or decline in membership began, that too became the common experience of most trade unions. Very few organizations were able to increase their ranks. As Jelle Visser (1991) pointed out, the unions in “virtually all OECD countries have continued to experience reduced or negative membership growth,” although in a few countries the decline now seems to have been arrested.

The most important exception to the general trend was the German trade union federation (DBG). Its affiliated unions demonstrated a basic membership stability quite unlike that of most other trade union organizations; and with German unification, these unions enrolled a large number of new eastern members. By the mid-1990s, however, even unified Germany was experiencing overall union membership decline.

Explanations of widespread membership decline tend to cite similar factors: shrinking employment in traditionally well-organized industries, changing work processes, increased employer reliance on part-time and temporary workers, more aggressive management, and restrictive public policies. Countervailing union policies often tend toward convergence insofar as remedial measures are intended to consolidate union structures. Reducing the number of unions while increasing simultaneously the size and strength of the individual organizations has been a widely shared goal, although attempts at unifying dual or multiple central trade union federations have been generally unsuccessful, probably because of deeply rooted ideological loyalties and strong occupational or professional identities. Far more productive have been the efforts in Britain, Sweden, Australia, the United States, Belgium, the Netherlands, and other countries to bring weak unions under the wings of stronger ones and to encourage mergers of national unions in related industries or occupations. The objective has usually been to emulate the German/Austrian model of a limited number — between fifteen and twenty — of financially self-sufficient unions.
Less noticeable but not negligible have been the efforts in several European countries, notably in Sweden and the United Kingdom, to consolidate fragmented local and workplace organizations along lines characteristic of the United States. The aims have been (1) to improve the resource base generally available only to larger and stronger local organizations; (2) to add substantive content to their mainly administrative tasks; (3) to enable them to be more responsive to the changing agenda of management; (4) to provide improved services for members; and (5) to redress the balance of power between management and labor in the workplace. Whether these aims can be achieved remains still to be seen, but there can be little doubt that local unions have welcomed this at least potentially significant enlargement of their traditionally subordinate role and that central union bodies have had to scramble in order to maintain their areas of authority and competence (Katz, 1993; Turner, 1991).

Gradually a new generation of union leaders is rising to positions of high office in all industrialized countries. Their qualifications match their grasp of the issues at stake in increasingly competitive markets, and their ability to master new forms of production organization is superior to that of their predecessors. Not much has been written about this development, but it is evident—in fact, it has been evident for some time already—that union office has become a profession whose exercise requires more than the traditional qualifications made up mainly of political skills. Increasingly, formal study and appropriate training are necessary steps in the career pattern of aspirants to high union position. It is no longer uncommon for union leaders to hold degrees in economics, law, and other professions, and the positions they occupy on corporate boards of directors—whether by legal mandate or the provisions of a collective agreement—require them to be knowledgeable about matters of managerial strategy and corporate finance.

Moreover, it is no longer possible, at least not in the large majority of countries, for union leaders simultaneously to hold high union office and to sit in national or regional legislative bodies as representatives of labor-oriented political parties. Full-time attention to their union position is expected nowadays, in fact is required by the rising demands of union office. In this respect, then, European unions have become much more like their American counterparts.

Essential to the activities of unions is the shape of the bargaining structure, and though it would be difficult to identify a universal trend, there can be little question that over the past fifteen to twenty years most changes in the formerly centralized structures of collective bargaining have tended toward more decentralization. A distinct convergence pattern has appeared, indeed is still disseminating its effects. Where economy-wide bargaining once dominated the system of collective bargaining, as it did in the Scandinavian countries or the Netherlands, there has been a downward shift more recently toward industry-wide bargaining, and where industry-wide bargaining was once the rule, its preeminence has been diluted or even replaced by bargaining at the level of the industrial plant or even the workplace (Visser, 1991).

To be sure, not all countries have been affected equally by this trend. For example, industry-wide bargaining at regional levels continues to be characteristic of German collective bargaining. But as Katz points out after closely examining developments in six countries, there are many similarities in the ongoing structural changes, virtually all pointing toward decentralization (Katz, 1993), while, interestingly, “there were no major counter-examples to the decentralization movement.” In other words, there was no significant recentralization.

Diversity

Yet in spite of convergence along a number of important dimensions, there is arguably as much or more cross-national variation in industrial relations as ever. This is fortunate for comparative-minded social scientists whose research agendas are therefore not limited to describing and explaining either similarity or variation. There is plenty to do in both areas. It is the argument of this section that there are at least two critical sources of variation in industrial relations: (1) the
The persistence of contrasting national models of economic and political organization; and (2) a widespread decentralization of bargaining and related flowering of local diversity. The former refers to national institutions that are products of long histories and therefore are resistant to change, with an important shaping influence on industrial relations practices, outcomes, and possibilities. The latter refers to more recent circumstances brought on by changing world markets and employer-led production reorganization.

In the post-World War II period, the convergence perspective of the 1950s and 1960s was rooted in a dominant structural-functionalist social science. Industrial relations scholars gave this perspective (or “paradigm,” as it came to be called; Kuhn, 1962) rich expression. In the long run, in their view, industrial development should lead to similar (or at least functionally equivalent) political and economic structures, as these structures develop to serve the parallel functions that industrialism everywhere requires. While Kerr et al. have been caricatured—they did in fact recognize continuing cultural diversity and national differences—the weight of the analysis pushes in the direction of long-term convergence.

Perhaps the biggest weakness of the industrialism perspective was its assumption that similar tasks would require similar institutions and policies. Neil Chamberlain’s 1961 critique has stood the test of time: industrialism offered no clear theory or testable hypotheses (Chamberlain, 1961). To the extent that one can test the theory, there remain very substantial differences in IR processes and outcomes, even among the most advanced industrial societies (compare German social partnership, Japanese enterprise unionism, and American “transformation”). Thirty years of industrial development did not make the Soviet Union look like the U.S.A., and even now that command communism has collapsed, it remains unlikely that the Russian economy (including IR) will converge in form or substance with European, North American, or East Asian market economies.

In the 1970s, a literature on “corporatism” emerged to challenge the assumptions of both pluralist and Marxist theories of convergence. (Important early works were Schmitter, 1974; Wilensky, 1976; Schmitter and Lehmbruch, 1979; Berger, 1981; Goldthorpe, 1984a, 1984b; and Katzenstein, 1985.) In this view, political and economic processes and outcomes are powerfully shaped by the specific ways in which interests are organized, their structures, relations, and ideologies. Especially important are employers, unions, and the state, and the ways in which they are structured and interact. Although some of the corporatist literature implied convergence toward a more corporatist model (and a more “organized capitalism”), the weight of the literature was on entrenched, institutionally based national differences, ranging from most corporatist (Sweden, Norway, Austria, the Netherlands) to most pluralist (the U.S. and the U.K.).

Building on this literature but moving beyond it came a new “historical institutionalism” that derived political and economic outcomes to a large extent from national institutional frameworks (cf. Zysman, 1983; Hall, 1986; Turner, 1991; Steinmo et al., 1992). For industrial relations, this approach drew on the earlier institutional and comparative work of John R. Commons (1934) and Everett Kassalow (1969). With growing international capital and trade flows, however, along with specific economic integration projects such as the European single market and the North American Free Trade Agreement (NAFTA) and the collapse of communist command economies, others predicted the decline of national institutions and perhaps increasing convergence around a more deregulated market model of political economy (Streeck, 1991). Nonetheless, by the early 1990s, national institutions and differences in arenas such as industrial relations appeared as important as ever (Armingeon, 1991; Rhodes, 1991; Due et al., 1991). Theorists such as David Soskice continued to work fruitfully with frameworks of analysis based on contrasting national models. In this view, strong German employer associations and industrial unions are key actors in the fabric of a “coordinated market economy,” whereas fragmented employer and union strength in the United States is a
defining feature of the liberal or “non-coordinated market economy” (Soskice, 1990).

Parallel to the rise of a corporatist and national models literature, economic crisis in the 1970s and early 1980s gave birth to another literature on new production organization. Again beginning with a critique of Kerr et al., scholars such as Boyer (1988), Lipietz (1979), Piore and Sabel (1984), and Kern and Schumann (1984) argued that the industrialism perspective had outlived its usefulness, as the Fordist mass production of goods and services began to break down. In this view, economic crisis was in large part a product of the exhaustion of the Fordist model of production organization. As new forms became dominant (whether “flexible specialization,” “flexible automation,” “lean production,” or a myriad of other variations or vocabularies that attempted to define the central features of post-Fordist production organization), new institutional arrangements would be necessary for economic, social, and political regulation. New production organization, in other words, would require new kinds of unionism, bargaining structures, and other aspects of industrial relations.

Some of the “new production organization” work implies a new kind of convergence. Thus the early work of French regulationists saw the dominant Fordist system of regulation (a broad term that encompasses capital markets, government economic and social policy, collective bargaining, and much else) breaking down, to be replaced by a new framework yet to be developed (Howell, 1992). Sabel’s (1982) flexible specialization perspective implies a generalized breakup of large firms into smaller units, linked together in new networks of mutual support. But the weight of this literature is on diversity. Boyer (1990), for example, identifies a number of different new models of national regulation. Katz (1993) identifies and documents a widespread trend toward decentralization of bargaining, as employers pursue new forms of production and work organization. And Locke (1990) sees great local-level diversity of industrial relations resulting from all this decentralization, both within and across nations, so much so that he wonders if there even are national models anymore.

If scholars in these two post-Kerr directions of analysis are right, we are a long way from convergence along important dimensions of political economy, including industrial relations. Cross-national differences may be as important as ever, underpinned by growing decentralization and diversity at the plant and firm levels. These are, of course, empirical questions.

In the remainder of this section, we look at some of the evidence indicating persistent diversity and suggest hypotheses to explain the variations.

**National Models**

In the broadest sense, numerous authors have described and analyzed contrasting cross-national political-economic structures, including systems of industrial relations. Although a full presentation of national differences is beyond the scope of this essay, there are two partially overlapping dimensions along which countries may be grouped (and both of these are really continuums with groupings toward either end that can be marked off as distinct categories). One dimension is the extent to which the political economy is more or less coordinated (by close interrelationships and/or reinforcing policies of governments, financial institutions, and the collective bargaining partners; Soskice, 1990). The second dimension, essential from an industrial relations point of view, is the extent to which organized labor is included with an influential voice in bargaining and government policy.

In the 1980s, many analysts looking backward in time associated more organized, inclusive structures (sometimes called “democratic corporatist”; Katzenstein, 1985) with superior economic performance (Schmidt, 1982; Cameron, 1984; Wilensky and Turner, 1987). While the decline of the Swedish model and the general recession in the early 1990s appeared to cut the ground from under arguments of relative economic superiority, analysts continued to identify persistently distinct national political, economic, and industrial relations structures (see, for example, Wilson, 1990). In the industrial relations literature, national differences continued to occupy a central place.
(Windmuller et al., 1987; Bamber and Lansbury, 1987; Baglioni and Crouch, 1990; Ferner and Hyman, 1992). And the long-term strong economic performance — reflected in export levels, trade surpluses, and economic growth — of more organized, labor-inclusive countries such as West Germany and Japan vis-à-vis less organized, labor-fragmented countries such as the United States and Great Britain gave continuing support to a linkage between national differences and economic performance.

For industrial relations, the important contribution of Katz and Sabel (1985) showed how contrasting institutions could have very different effects in an era of industrial restructuring and work reorganization. In the United States, where local union influence is based in part on job control (regulating seniority-based allocation of multiple job classifications), flexible new work organization can threaten union power. Managerial initiatives to reorganize can set off conflict with varying possible outcomes, ranging from a new labor-management accommodation to stalled reorganization and to new union-free workplaces. In Japan and West Germany, by contrast, where local union influence in the plants is based in part on employment security and worker participation (through enterprise unions in Japan and through the works councils in Germany), allocation of labor is more flexible, and processes of work reorganization cause less conflict and pose less of a threat to unions.

Although Katz and Sabel gloss over the very substantial differences between Japan and Germany (Japanese employers have considerably more flexibility in this regard than do German employers, who are constrained by works councils with legally mandated codetermination rights), their central point is as valid as ever: not only do different countries have contrasting industrial relations institutions and practices, but these differences matter importantly for outcomes ranging from the success or failure of shop floor reorganization to the rise or fall of union influence.

Wolfgang Streeck takes the argument a step further. In his view, industrial relations institutions and practices in some countries operate as part of a mutually reinforcing “virtuous circle,” while in other countries contrasting institutions and practices have the opposite effect. Explaining the West German auto industry boom of the 1980s (in the face of expert predictions of the industry’s demise), Streeck argues that works council/union-imposed labor-market rigidities (no layoffs) pushed firms upmarket toward diversified quality production (DQP), with positive results both for competitiveness and union influence (Streeck, 1987; see also Turner, 1991: 24–25). External labor-market rigidity combined with internal flexibility (for plant-level reorganization) work together with an extensive vocational training system, comprehensive collective bargaining coverage, and other elements of the German political economy (such as long-term bank financing) to reinforce positive outcomes. In the British case, by contrast, a very different framework of institutions and practices reinforced each other in the 1970s and 1980s in a vicious cycle of economic, industrial, and union decline.

In other analyses, Pontusson (1990) has shown the very different roles that unions played in 1980s work reorganization in the auto industry in Britain and Sweden (unilateral management initiative versus growing union engagement). Freeman (1989a, 1989b) analyzes persistently divergent union membership density rates and demonstrates a causal connection between those contrasting levels and the institutions that govern labor relations. Turner (1991) examines contrasting cross-national union influence in contemporary processes of work reorganization, and argues that the extent of union influence and the stability of industrial relations are products of the extent to which unions are institutionally integrated into management decision-making processes.

Perhaps the strongest argument in favor of convergence is the point that as markets become more integrated, similar organizational forms will naturally follow in time. Thus one would predict, for example, industrial relations convergence in the European Union and perhaps even the emergence of a distinctive European system of industrial relations — especially now with the coming of the single market. While this may occur in the future, so far there is little evidence to support
such a notion. Armingeon (1991) specifically tested the convergence thesis for the European Community, using data from 1962 to 1990 for all twelve countries for union membership and structure, strikes, wage structure, public sector share of total employment, and major collective bargaining procedural rules. He found that for all variables, cross-national differences are at least as important in 1990 as earlier, and found no support for the emergence of a European system of labor relations.

Why is this so? Because institutions, as products of specific national histories and political battles, are resistant to change (Steinmo et al., 1992). As Michael Poole puts it, arguing for the prominence of divergence over convergence in national systems of industrial relations, institutions acquire a certain autonomy from the environment, even in periods of considerable economic and political change (Poole, 1993: 110–11). These “sticky” institutions are in turn bound up in contrasting national patterns of industrial organization, which persist even through major reorganization and transformation (Herrigel, 1989; Lane, 1991).

Local Diversity
In addition to the national models anti-convergence school, there is considerable contemporary analysis of the phenomenon of decentralization in collective bargaining. In some cases, such analysts disagree sharply with national models theorists, seeing in processes of decentralization a declining importance of national institutions. The title of a recent work by Richard Locke is particularly suggestive in this regard: “Searching for a New National Model in a World Where They No Longer Exist” (Locke, 1993). While we think that national institutions do in fact continue to be important in shaping industrial relations practices and outcomes, we would also argue that both national models and decentralization/local diversity theorists capture an important part of the truth. Both point toward industrial relations diversity rather than convergence.

For decentralization theorists, it is not so much cross-national contrasts that are important as it is local diversity, both within and across borders. Building on the work of Sabel (1982), Locke (1990) for exam-
There is a similar risk in contemporary “black box” notions of “globalization.” Nonetheless, we think the preceding discussion makes possible the development of testable hypotheses that point toward a theory of change in contemporary industrial relations.

While industrialism emphasized national processes of industrial development and regulation, globalization refers to a qualitative leap in the expansion of markets beyond national boundaries and the capacities of national governments for regulation. Both industrialization and globalization arise from the expansion of markets, but in the former case this expansion occurs most importantly in the consolidation of national markets, while in the latter case the expansion occurs most importantly beyond national boundaries.

To summarize our argument, the internationalization of markets and ideas is the driving force for contemporary change in systems of both industrial organization and industrial relations. This part of the argument is consistent with the analyses of a wide range of scholars, from Piore and Sabel (1984) to Troy (1992). Globalization promotes a convergence of form and substance in particular industrial relations practices. At the same time, globalization drives employers everywhere to reorganize production and work, setting off a widespread, “convergent” process of bargaining decentralization.

We continue to observe, nonetheless, widely divergent practices and outcomes in industrial relations, especially in cross-national comparisons. Persistent (and in some instances growing) diversity can be explained in two ways. On the one hand, while globalization drives “convergent” decentralization, this very decentralization promotes widespread diversity as local initiatives and bargaining adapt to specifically local and national conditions. On the other hand, entrenched institutions that vary considerably across national boundaries have important and contrasting effects on the direction of change.

Another way to state the argument is as follows: market forces drive convergence in industrial relations, while both a decentralization of bargaining and contrasting national institutions refract change into diverse channels.

### Directions for Future Research

Given the widespread nature of both convergence and diversity, we think that broad theoretical speculation, even if empirically well grounded, concerning which process is primary is probably no longer fruitful. Instead, we would suggest comparative studies of both similarity and variation, aiming at explanations that can be linked to broader theoretical development. Such cross-national studies can be and have been used to help revitalize the field of industrial relations (in areas such as strategic choice) as well as contribute to related fields, such as comparative political economy and political sociology.

In comparative studies of variation, we need to examine contending explanations that shed light on broader economic, political, and social processes at work. When we find significant cross-national variation, what explanations work best: institutional? economic? political? cultural? nationally or locally based? or some combination? For example, why does one find cross-national variation in rates of employer innovation? Can this be traced to relative market openness, and/or to the extent of competition from Japan or the newly industrialized countries, or others? Is average firm or plant size (which varies cross-nationally) relevant as an explanation? Are industrial relations variables important, such as union strength or relative IR adversity or partnership? Are other institutions of industrial relations, the economy, or the polity critical? What about cultural differences: can tests be devised to capture the significance of cultural variables?

Studies of variation can also group countries according to typologies or similar outcomes, adding credibility or further tests to explanations that may be derived from the study of two or three countries. Or international studies can undertake comparative analysis that begins from a multinational base. What can we learn, along these lines, by comparing the European single market with NAFTA? Why, for example, does the EU, composed of fifteen very diverse countries (dverse in economic development, political history, institutional framework), have a much more substantial “social dimension” (Social Charter, Maastricht social protocol, substantial international health and safety regulations, a blossoming Euro-works council movement,
an active European Trade Union Confederation) than the three NAFTA countries? Is this simply because economic integration has been under way much longer in the EU? Is it because of stronger social-democratic traditions? stronger unions? a labor-management partnership orientation? position in world markets? or other economic, political, social, or cultural factors?

One promising approach to the study of cross-national differences is the call by Richard Locke and Kathleen Thelen (1996) for “contextualized comparisons.” In this approach, one begins with comparative studies of the national context of industrial relations so as then to determine the crucial conflict or issue at a particular time. In a flexible way, one then compares the outcomes of such conflict cross-nationally, to gain insight into contrasting national and/or local processes at work. Although this may seem like comparing unequal entities, in fact it may be less so than, for example, a cross-national study of strike rates that fails to consider the very different meaning of strikes in different countries.

For comparative studies of similarity, we need to identify carefully where the similarities are that seem to make sense, and then explain them. Harry Katz, for example, identifies a broad, cross-national trend toward decentralization in industrial relations. He discusses three contending explanations for this trend: a market-driven imperative for new work organization; managerial offensives in an era of union weakness; and the expansion of work reorganization and participatory programs (1993). Katz presents reasons why he thinks that the first explanation makes most sense, but this needs further testing. How can we operationalize these and other possible explanations for cross-national testing? What data do we need in order to sort out the most appropriate explanation? What can we learn from such an explanation about the critical economic, political, and social forces at work in contemporary society?

As another example of cross-national similarity, what accounts for the rather widespread expansion of procedural regulation in industrial relations? Since this has occurred in countries where unions are weak (France) as well as where unions are, or at least were, strong (Britain), there must be other explanations at work. We have described this trend in several countries above, but what is the decisive driving force or forces: markets? cross-national learning? institutional consolidation? economic development?

In many cases, studies of similarity and variation can be usefully paired. For example, it might be useful to examine the following hypotheses together:

1. The growing significance of supranational political institutions, as exemplified by the European Union, and their ability to promulgate rules binding on their constituents tend to strengthen the forces leading toward convergence.

2. On the other hand, market factors, including particularly the accelerating search for ever more efficient forms of work organization and production, tend to favor the development of increasing diversity.

Note that the first hypothesis, if valid for the period since the EC “relaunch” in 1985–86, would contradict the longer-term finding of Klaus Armingeon (1991), as noted above. And the second hypothesis, if valid across a wide range of countries for the contemporary period, would show the limitations of a two-country comparative analysis for broader theoretical claims (see for example Troy, 1992). Thus opposing hypotheses should also be tested on the basis of broad, cross-national evidence.

Similarly, the following pair could be examined in parallel, related studies:

1. By and large, it is in the nature of labor organizations to pursue policies tending toward solidarity and equality, thus promoting convergence.

2. On the other hand, in the contemporary era the ever-widening search by employers for greater flexibility and efficiency compels them to promote policies supportive of divergence.
Other individual hypotheses could consider both processes, within one related causal explanation, such as:

1. National governments and other national political institutions seek to be responsive to both sets of forces, with the outcome probably depending on an assessment of what best serves the national interest (e.g., Britain at Maastricht).

2. Just as centralization of industrial relations structures and decision-making processes is likely to lead to convergence, so decentralization probably begets diversity.

We conclude with a few comments concerning the process of research and analysis itself, since research methods are of the utmost importance in arriving at useful findings.

First, we need careful selection and study of the proposed dependent variables. Perhaps nothing is more important to useful cross-national research. Not all questions are equally interesting or important. We need to ask relentlessly not just what is interesting but what will shed light on underlying causal forces at work in the economy and society. What exactly, and in detail, is the similarity or the variation? What is the range of possible explanation suggested in the literature and by the actors?

We also need to examine and test all plausible independent variables and combinations of variables. This sounds formal, as it should, although we do not mean to suggest that quantitative testing is essential. Quantitative testing requires a large N and looks at probabilities; comparative analysis based on case studies, without recourse to quantitative methods, asks what explanation fits all cases. The latter approach may be particularly appropriate to cross-national comparisons in which the N is small and for which it may be impossible to operationalize variables in meaningful numerical terms. The methodology, in other words, should be selected to fit the questions asked, as well as the range and character of possible explanations.

Although international and comparative research is demanding, cross-national investigations of convergence and diversity continue to offer great promise, both for vast possibilities of data collection and comparison and for theoretical contributions. This is especially true in the current period of economic and political turbulence and theoretical uncertainty and openness.

References


