
Article by an MPIfG researcher

Colin Crouch: Book Review: Bosch, Gerhard; Lehdorff, Steffen; Rubery, Jill: *European Employment Models in Flux: A Comparison of Institutional Change in Nine European Countries* (Houndmills [u.a.]: Palgrave Macmillan, 2009). In: *British Journal of Industrial Relations* 48(1), 208-211 (2010). Wiley-Blackwell

The original publication is available at the publisher's web site: http://dx.doi.org/10.1111/j.1467-8543.2009.00776_3.x

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low-compensating differential on service sector employment might have been written very differently.

Also questionable is the author's evaluation of the role of German unification. Since 1990, approximately 3 per cent of Germany's gross national product has been transferred annually from West to East Germany. This exceeds the burden caused by oil crises, acknowledged worldwide as external shocks. Also, the erosion of the wage system did not get into full swing until after unification. Of further interest is the fact that the transfer of West German institutions to East Germany resulted in reform falling into stagnation for more than 10 years. Because of imperfect reproduction and a continually changing environment, stagnation inevitably leads to the gradual erosion of old institutions in the ways described by Wolfgang Streeck.

Finally, the question arises as to whether an analysis of one country can provide broad general conclusions that apply to changes in all capitalist countries. For example, in many other European welfare states (e.g. Denmark, Sweden, France), the product and financial markets were deregulated without leading to, as in Germany, a decrease in collective bargaining coverage or an increase in earnings differentiation. A deciding factor is perhaps that the German wage system, in contrast to the wage-setting systems in the other countries mentioned, is vulnerable to outsider competition because its unions are too weak and because binding collective wage agreements and minimum wages are generally lacking. Creeping erosion is perhaps not the unchangeable fate of wage systems in the age of liberalisation but rather the consequence of the specific architectures of institutions. Moreover, it could also be that the German model is not unsustainable per se but simply that it is not being sustained by important players.

This leads to the players' roles. Streeck has not been able to detect a master plan in the transformation and sees change as the aggregate result of unco-ordinated actions from below. Important think tanks and political players have been presenting the same master plans for the deregulation of the German system year after year. These plans reflect the natural instincts of business people, who seek to shed all institutional shackles and who rely merely on a common guiding ideology for their co-ordination. The search for a single architect of a master plan will probably never be fruitful. After all, there is considerable evidence for the existence of similar master plans and harmonised behaviour by many players in various arenas of action. In conclusion, it can be said that this book is a rich repository of theories concerning forms of gradual institutional change in capitalism. However, the full story of the transformation of German capitalism has yet to be written.

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European Employment Models in Flux: A Comparison of Institutional Change in Nine European Countries, edited by Gerhard Bosch, Steffen Lehdorff and Jill Rubery. Palgrave Macmillan, Houndmills, Basingstoke, 2009, 284 pp., ISBN 978 0 230 22355 4, £60.00, hardback.

The contents of this book are precisely described by its title: it examines how different national employment systems have been affected by changes during the past two or three decades. The countries offer a good north-south cross-section — the UK,

Sweden, Germany, Austria, France, Italy, Greece and Spain — but only one case from Central and Eastern Europe: Hungary.

The authors all contest the tendency in much literature to talk loosely of an overall ‘European model’, or at least a ‘non-Anglophone European model’, which is usually contrasted unfavourably with an Anglo-American or Anglophone one. (At least, this is how things were written up before the financial crisis of 2008–09. The authors of the UK chapter, Jill Rubery *et al.*, completed their work after that shock and took advantage of the opportunity to point out some of its implications. Others, who must have submitted their chapters earlier, are left with their countries still under pressure to move towards the previously much admired Anglo-American system of financialisation.)

The individual country chapters are thoroughly integrated through an overall analytical scheme, which enables the editors to set out a synoptic table succinctly summarising the kind of model usually considered to typify each country, along with the changes that have characterised its recent past, and a list of continuing tensions and unresolved issues. The changes and issues all revolve around different combinations of pressure to liberalise and marketise, and each chapter describes moves towards neoliberalism: reductions in worker protection and in trade union influence, reordering of the welfare state towards some kind of workfare and the privatisation of pensions, and acceptance of Anglo-American forms of corporate ownership and financialisation of assets. But each describes a particular national path towards that direction, with important elements of continuity. In general, one can conclude that what does not change is the position of economically dominant interests within the national frame; but these elites have started to redefine their power base in terms of neoliberalism, which is not difficult to achieve because neoliberalism usually means moves to more inequality and reduced rights of labour against management, which usually suits the interests of economic elites.

For example, Berrebi-Hoffman *et al.* describe how French elites have taken advantage of the privatisation and/or marketisation of former national champion corporations to keep control of the newly financialised assets. Neoliberalism has not weakened the French state; it has used its power to organise the structure of marketisation. In Italy Simonazzi *et al.* show how fragmentation of labour regulation and collective bargaining has reinforced managers’ power through the creation of highly segmented labour markets. Segmentation is not strictly compatible with the idea of a free market, but it is what happens when elements of deregulation are fitted on to an existing regulatory system, which was in itself always riddled with segmentation.

The country in which most change can be observed is Germany. This may seem odd, given that German neoliberals and popular commentators constantly complain of apparent *Reformstau*, but here Lehndorff and his co-authors contribute to a gradually growing academic literature that shows that German industrial relations and welfare institutions have changed — or at least fragmented — more than most. But they also do well to relate the changes and certain continuing continuities to the apparent unwillingness of all German policy makers to recognise the shift from concentration on exported manufactures towards services of various kinds as the motor of employment in early twenty-first-century advanced economies. The so-called ‘German model’ with influential collective bargaining, co-determination, and strong vocational training continues to be based on manufacturing, while employment growth and institutional change have been concentrated in services. German banks have moved a long way from their old *Hausbank* model to adopt the

UK/United States approach to investment banking and the financialisation of assets — for better or worse.

In their chapter on Austria, Hermann and Flecker warn that the stronger continuity demonstrated in that country compared with Germany was largely possible because of the greater specialisation available to small countries; and they use this observation to make a general point about the fallacy of comparative studies that treat all countries as more or less equivalent units. However, while they describe less institutional change than in Germany, they stress that the old institutions are being used to bring in the familiar neoliberal agenda. During the heyday of demand-side corporatism, Austrian collective bargaining was always concerned about ensuring that wages remained lower than their German equivalents, and the country had a very unequal income distribution. This all transfers easily to the supply-side corporatism that is driving neoliberal changes in the country. The main change comes in the increased pressure on wages following the arrival of close competitors in the central and eastern European (CEE) economies.

A change in the way that familiar institutions operate rather than dramatic institutional change also emerges in Anxo and Niklasson's account of Sweden. The co-ordination of collective bargaining is being used to decentralise bargaining, with consequent increases in wage inequality. While concern for the export sector in no way leads, as it does in Germany, to neglect of services employment, it does lead (as it has long done) to pressure on wages in those services. More recently, centre-right governments have begun to advance the neoliberal agenda by trying to stimulate employment growth in private domestic services outside the frame of labour regulation. It is an odd choice because one of the main reasons why the Nordic countries have so much higher overall employment than those in the Mediterranean region is that in the former care services are mainly delivered by career professionals in the public sector and in the latter by unregulated services provided to private households.

Four countries in the study stand slightly apart from the general narrative of a shift from strong welfare states, collective bargaining and labour regulation to neoliberalism, albeit through distinctive national paths. These are the UK, Hungary, Spain and Greece. They all, however, differ only in their starting points, not in having neoliberalism as an important part of their direction of travel.

The collapse of postwar labour-market institutions in favour of neoliberal ones happened during the 1980s in the UK, so the more recent story is a slightly different one. While the neoliberal policy frame has remained intact, there has been some growth in the use of social policy rather than simple market forces to achieve its goals. As Rubery and her colleagues show here, this is mainly apparent in the addition of certain typically 'Nordic' supports to active labour market policy to offset the workfare components of the policy.

Hungary would seem to have the longest road to travel to neoliberalism, starting from its state-socialist base, even though the country's economy had been the most open to the West of all the CEE economies during the Soviet period. The changes have certainly been strong, as Neumann and Tóth show. There has been a fragmentation of national wage-setting institutions and a marked privatisation of welfare. There are, however, also important elements of continuity, as the neoliberal economy makes use of certain inheritances: a large shadow economy, a rather low level of innovation, and an economy split between working for externally controlled firms and local demand (with Western multinationals replacing Soviet planning).

Greece (Karamessini) and Spain (Banyuls *et al.*) are both certainly experiencing a shift to neoliberalism, and it is happening as described above for other cases: existing

elites shift from family capital and closeness to a non-democratic state to the use of certain neoliberal approaches to labour. However, the growth of labour's rights after the periods of dictatorship is still recent, and it has not been possible to dislodge trade unions from their place in society as happened most notably in the UK.

As the above summary has made clear, an excellent feature of this collection is that all authors consider the employment system as such within a wider context of institutions: the welfare state and the general structure of the economy. In their excellent summarising introduction the editors draw attention to many of the lessons that this juxtaposition brings to our attention. For example, criticising EU policy makers' general failure to see how welfare states might interact with labour markets, they point out (p. 51) that 'policy performance in complex societies may depend more on these interactions than the simple trade-offs between the individual parameters normally used in economic theory'.

Their focus is naturally on policy areas directly related to employment, but more implicitly this collection also draws attention to certain other themes, in particular the family. There is space here just to pursue one of these. The family appears at two points in these studies, in the extent to which (1) welfare state and employment arrangements have favoured female labour-force participation and the implication that this has for families; and (2) traditional patterns of strong family ties play a role in providing welfare support to individuals. There is a strong difference between those countries where welfare policy has moved towards recognition of a two-gender work-force (in this collection, Sweden and the UK) and those where male breadwinner systems are dominant (Germany, Austria, Italy). This leaves some cases that do not fit easily into this dichotomy: Hungary, where the state-socialist approach to two-gender employment has been undermined during the transition to a market economy; and France, where the persistence of fairly high birth rates alongside female labour-force participation is putting strain on family support systems. That links to the second theme. France seems to be joining Italy, Greece, and Spain as a country where the family rather than the care system helps people cope with the balance between working life and other activities. In these societies the family also supports younger members who are unable to find secure or at least non-temporary jobs, thus making possible the segmented labour markets that are enabling these economies to make their particular compromise between neoliberalism and labour market regulation. This system of family support is itself increasingly dependent on older family members being able to help the young because they have generous pensions — pensions that are themselves threatened by another part of the neoliberal agenda. Interactions among policy areas go even further than these thorough and careful studies show.

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From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession, by Rakesh Khurana. Princeton University Press, Princeton, 2007, 542 pp., ISBN 978 0 691 12020 1, \$35.00, £19.95, cloth.

The business school community is greatly in Rakesh Khurana's debt for this fascinating and hugely scholarly study of the history of American business schools. The