1 Employment relations and industrial relations

Employees are only willing to perform and employers only willing to utilize labour under certain specific conditions reflecting a wide variety of issues: wages and other employment terms and conditions, working hours, job autonomy, opportunities for promotion, and employee participation in company policy-making. These issues emerge in the continuous exchange between the two parties involved in the employment relationship. They do not regulate every aspect of the employment relationship, however; there is also consultation and negotiation between the organizations which represent their interests, namely the trade unions and employers' associ-
ations. After all, no modern society has ever accepted a purely individualistic determination of the employment relationship (see Hartog and Theeuwes, 1993: 422). Indeed, modern societies have developed a whole range of labour market institutions, ranging from social custom and moral codes to labour law and collective agreements, that is, the outcome of collective bargaining at an aggregate level which lies above the private level between employer and employee.

The Fordist type of employment relationship and beyond

Between the two world wars, and in particular immediately following the Second World War, most Western capitalist economies developed institutions to govern the employment relationship. These institutions did not develop at the same pace and in the same way in every country. In general, however, a process of collectivization and institutionalization of the employment relationship got under way. Employment terms and conditions were increasingly subject to a form of collective regulation involving the trade unions, usually at the industry or national level, but in some cases at the company level as well. The process of collectivization was accompanied by increasing standardization of employment terms. Between the Second World War and the 1980s, the terms of employment within industries and companies converged more and more. Variation, for example based on job category, professional status, company size or region, was tolerated, but only within strict sectoral or nationally agreed parameters.

It was under the relatively favourable economic conditions of continuous growth and quasi-full employment that what are considered to be modern labour standards began to evolve. By labour standards we mean more or less generally accepted and enforceable norms which stipulate the conditions under which work is to be performed. Gradually the Fordist type of employment relationship came to dominate the labour market. This rather stable employment relationship is characterized – at least as far as European countries are concerned – by a permanent, full-time job, wage increases based on experience and training, additional bonuses for inconveniences and unfavourable working conditions, regular working hours and a collectively arranged working week, paid holidays, the general right to collective representation when establishing employment terms and a certain degree of (indirect) participation in specific areas of company policy. The Fordist employment relationship is not only linked to post-war industrial relations, but also to the type of production organization which prevailed during that period – the Taylorist organization. As mass producers of standardized, price-competitive goods, these organizations supplied what were often protected domestic markets that had not yet been saturated. They were generally highly mechanized and had an extreme horizontal and vertical division of labour. The goal of such organizations was to become as efficient as possible by calculating and controlling production, labour and worker behaviour as much as possible. This meant the centralization of management and the bureaucratization of the organization, that is, the detailed demarcation of jobs and competencies, close supervision of work, elaboration of hierarchical lines of authority and the development of a personnel policy which aimed to rationalize employee relations. Although in theory it was easy to replace unskilled and semi-skilled production workers within Taylorist production processes, companies were put under pressure by quasi-full employment and union strength to extend to all employee groups their policy of binding employees to the company by means of durable employment relationships. This internalization of the labour market led to greater job security and the prospect of a more or less predetermined career with increasingly attractive employment conditions and job opportunities.

From the mid-1970s on, however, both industrial relations and employment relationships underwent a fundamental change. Again, such changes have not affected every country in an equal and comparable fashion. In general, we can say that pressure has been brought to bear on the dominant Fordist employment relationship and related labour standards. For example there has been a striking, although initially modest rise in the number of temporary and/or part-time jobs and of different types of flexible work. This phenomenon was initially called atypical employment. However, the number of jobs which deviate from the 'normal' Fordist employment relationship pattern has grown so dramatically in the past decade that we are justified in asking whether this atypical employment is indeed so very atypical. Job security has probably been put under the greatest pressure in recent years. First, most companies were involved in far-reaching reorganizations. In general, economic restructuring was not only accompanied by the internal relocation of personnel but also by mass redundancies. Secondly, jobs that offer a reasonable degree of security to newcomers in organizations have become a rare commodity. Confronted with uncertainty in the market and with the high costs of dismissals, employers prefer to hire younger employees on a temporary basis. Only the high performers among the newcomers can count on more or less stable jobs and attractive career prospects in the company. Thirdly, many companies are introducing lean production, concentrating on core activities and hiving off unprofitable and non-core activities to subcontractors and specialist suppliers. Consequently, the internal job market tends to be reduced to the core employees. Employment at subcontractors and suppliers – often small or medium-sized enterprises with no trade union representation on the shop floor – is generally less stable and offers less favourable employment terms and working conditions. Finally, even the security enjoyed by core employees in the internal labour market has become something other than the 'lifetime employment' of decades past. Evidence can be found in the concept of 'employability', the new management watchword. 'Employability' means that while the employee
cannot expect a guarantee of lifetime employment, his or her employer will help maintain that employee's market value, for example by providing opportunities to retrain or to update knowledge. Security no longer depends on a job or an organization, but on the employee's competences and willingness to learn and adapt to changes in the organization and the market. Core employees, incidentally, pay a heavy price for their position within the organization; in the present circumstances of persistent high unemployment, they are under constant pressure to improve their performance.

**Growing heterogeneity on the demand and supply side of labour markets**

In general, companies now face fierce competition, and this in turn affects the employment relationship, which is increasingly subject to the logic of the market. Competition between companies has gradually filtered through to affect the labour exchange. This becomes obvious when we look at changes in the area of wages. There is serious pressure to develop more flexible wage systems which tolerate greater variation. Wages should vary much more depending on productivity or the added value that employees bring to their work. The idea is that fluctuations in wages should correspond to fluctuations in productivity. This leads, among other things, to the decentralization of wage bargaining and consequently to an increasing wage gap between companies. There is also growing support for the idea of lowering or even abolishing the minimum wage, which is being blamed for high unemployment among unskilled, less productive workers. Even within companies, there is a tendency to link wages more directly to individual or group performance. Evidence can be found in 'payment-by-results' schemes (PBR), in which a portion of an employee's wage is variable and depends on achieving certain targets related to output, productivity, product quality, material or machine utilization, customer satisfaction and so on. PBR schemes encourage employees to carry out more thorough preventive maintenance, avoid production stops, constantly monitor product quality and so on. There is also greater variety and more flexible arrangements with respect to working time. Although jobs with more or less fixed working hours (9 to 5, five days a week) and a fixed number of hours a week (generally between 35 and 40) still predominate, in recent years there has been a major increase in the number of working time arrangements tailored specifically to meet a company's or employee's needs. In addition to the spread of part-time jobs, the number of flexible working arrangements has also increased sharply. Such arrangements allow better coordination between the deployment of labour and the company's requirements. The number of hours worked daily, weekly or monthly varies depending on the production capacity required. Again, the indication is that the employment relationship is increasingly subject to

Recent years have seen more flexible, less uniform and more diverse employment relationships. Between the two extremes of stable employment relationships on the one hand and (post-Fordist?) flexible employment relationships on the other lies a growing range of options. Behind this increasing diversity, complex processes are at work which are giving rise to an increasing degree of heterogeneity in labour markets, both on the demand side (companies) and on the supply side (workforce).

The economic restructuring of recent decades together with social and demographic changes have had a tremendous impact on the labour market. The share of total employment accounted for by industry has dropped (de-industrialization), while employment in private and public services has risen. Nowadays there are fewer unskilled or semi-skilled industrial workers and more skilled, white-collar service or knowledge workers. The social composition of the workforce has also changed drastically, thanks in particular to a rise in the overall level of education, the feminization of the labour market (that is, the rising number of women participating in the formal economy) and the increasingly multi-ethnic nature of European society. Finally, the workforce has become much more heterogeneous as a consequence of cultural trends such as individualization. Today's employees are more inclined to articulate specific individual preferences and choices regarding their terms of employment; for example, they may want to arrange working hours around their family and social life. The labour movement was ill-prepared to deal with the increasingly heterogeneous nature of the labour market. Its focus was traditionally on representing the collective interests of a large, relatively homogeneous segment of the workforce, in particular male manual workers employed in manufacturing. Increasing heterogeneity is forcing unions to search for innovative solutions to classic problems such as interest aggregation and articulation.

The demand side of the labour market has also seen a growing measure of heterogeneity. That is a result of the different ways in which companies -- even those operating within the same industry -- respond to developments in the market and in product technology. Changes in the market are becoming less predictable. The far-flung markets for standardized mass products are becoming saturated, slowly but surely. Moreover, individualization has made consumer tastes more varied, so that consumer demand has become fragmented. Finally, the barriers thrown up to protect domestic markets are gradually being dismantled by the progressive liberalization of the world economy. More than ever before, companies are competing on global markets. These events have landed managements in a situation of uncertainty, and they can no longer turn to 'one-best-way' solutions to their problems. Managements are being forced to make strategic choices with respect to market, competition, production and personnel policy. Between the uncertainty of management and the management of this uncertainty (see Streeck, 1987) lies a wide variety of possible strategies and policy interventions, with distinct consequences for the structure of the organization and its personnel. Modern production
technology has further expanded the number of alternatives. Micro-electronic information technology does not have as decisive an impact on the structure of the organization as did its predecessor, electro-mechanical technology (see Streeck, 1992b). Micro-electronic circuitry can support radically different patterns of work organization. Vastly increased capacities to process and transmit information allow for centralization of control and differentiation of tasks far beyond what was possible only a decade ago. At the same time, they also enable organizations to delegate decisions to flexible subunits with integrated, overlapping functions, so as to respond better to more complex and specific demands from their environment.

**Strategic choices under uncertain conditions**

From the viewpoint of personnel and organizational policy, the principal choice which management faces is between competitiveness based on low prices/low costs and competitiveness based on production criteria such as quality, customer-specific production, product differentiation and innovation.

Low price/low cost-based competition presupposes at least one of the following two measures: a downward adjustment of labour costs (for example, in the form of efficiency measures, redundancies or lower wages) and/or a sensitive improvement in performance and a more intensive deployment of labour (for example, by increasing the work pace or by introducing new working methods and technology). In both instances, productivity rises. The most successful approach is to reduce labour costs and improve performance at the same time. Managements in Western capitalist economies which decide to pursue this competitive strategy will unavoidably find themselves facing some difficulties.

First, wages in modern economies tend to demonstrate downward inflexibility, a consequence of the institutionalized system of wage determination. In most European countries, companies can only succeed in introducing a downward adjustment in wages if they withdraw from collective wage bargaining systems and decide to act autonomously and unilaterally in setting the terms of employment for their employees. If a number of (larger) companies decide to do so, that would be the end not only of multi-employer bargaining but also of the practice of taking wages out of competition through collective bargaining. A second problem inherent to the low price/low cost strategy is that lower wages and higher productivity are generally thought to be mutually exclusive. It is almost impossible to lower wages and improve performance at the same time without creating social unrest. Sooner or later, employees who are forced to work harder will seize upon the rise in productivity and the subsequent increase in profit margins as a reason to demand wage rises. If management gives in to these demands, chances are that it will also gradually cut back on staff: small scale, gradual redundancies to compensate for wage rises of the remaining employees. This strategy may have a few undesirable, or at any rate irksome and in the long run intolerable side effects: the workload will increase, unemployment will rise, social security expenditure will increase substantially and the difference between ‘insider’ wages and ‘outsider’ benefits will increase.

Theoretically it should be possible for Western producers to avoid the problems associated with a low-price/low-cost-oriented strategy by moving certain parts of the production process to countries which offer employees lower wages, with a lower level of social protection and with less powerful trade unions (the so-called relocation strategy). And indeed, in the past few decades labour-intensive production processes and activities have been relocated, leading to an international division of labour. We should note, however, that in many cases relocation is not prompted by low wages so much as by the opportunity to conquer fast-growing local markets. After all, not only are wages lower in developing countries than in modern capitalist economies, but so is productivity. Indeed, there is a good chance that unit labour costs may be lower in a given Western country than in a given low-wage country.

An alternative to low-price competitiveness is the so-called innovation or niche strategy, in which companies supply market segments which are less concerned with price and more concerned with quality, customer-specific production, a broad product range, short, reliable turnaround times and so on. This high wage/high skill/high productivity strategy has far-reaching implications for the structure of the organization, the composition of the existing staff and for personnel policy. The Taylorist production organization is not equipped to handle this type of competitive strategy, nor does it have the resources to supply a constantly changing market. Taylorist organizations must undergo a drastic transformation. A functionally integrated and decentralized organization is required, together with highly educated, multi-skilled employees who have non-specific, broad cognitive and social competences. It will be obvious that employment relationships in this innovative type of production organization are subject to an entirely different dynamic than those within Taylorist production organizations.

**2 Analytical perspective**

The available analytical and theoretical frameworks do not in our opinion succeed in providing a satisfactory analysis of the changes in employment and industrial relations. The analytical perspective presented in the present book distinguishes it from a host of other studies and handbooks in the field of comparative industrial relations.

The ‘classic’ analytical frameworks are a reflection of the times in which they were conceived: a time when employment in industry accounted for a greater share of overall employment than it does today; when a strong
labour movement could depend on the support of a more or less homogeneous rank-and-file consisting of male industrial workers, and on a government which believed that the labour movement could play a part in supporting macro-economic change; when the labour market was populated by a relatively homogeneous workforce; when 'national' companies were more stable and bureaucratized because they supplied more or less predictable, protected domestic markets which had not yet reached the saturation point; and when the national government, more than is the case today, still enjoyed full sovereignty in the field of national socioeconomic and fiscal policy. As mentioned before, the 1980s were a decade of change – change in organizations, in labour markets and in industrial relations. This means that we must reconsider thoroughly the existing analytical frameworks. It is particularly important to recall that there has been a fundamental shift in the position of the various different actors. The unfavourable economic climate of the 1970s and 1980s, the saturation of markets, the progressive liberalization of world trade and the removal of protective tariffs in certain markets all led to companies in advanced capitalist economies throwing all their effort during the past decade into improving their competitive position. They were backed by governments which had placed a premium on improving the competitive position of domestic trade and industry. This relative shift from macro-economic demand management to supply-side economic policies, and from institutionalized practices to management strategies, has had important consequences for the terms of employment. That is why it is no longer possible to analyse employment relationships as if they are relatively insulated from changes in markets and within organizations. Viewed from this perspective, many 'classic' industrial relations studies may devote too much attention to the formal, collective relations between the 'two sides of industry' – that is, the trade unions and employers' associations – and the state agencies. Mainstream authors in continental Europe put too much emphasis on 'collective relations' and not enough on work and employment terms and conditions. In our opinion, the institutions which undertake to regulate employment relations should be linked to the context in which work is performed and to the factors which influence this context.

When analysing the employment relationship, we should not only consider all the relevant factors, but also all the relevant actors. The criticism levelled at industrial relations studies and handbooks – that they give too much attention and weight to the collective actors and to industrial relations – is equally true of more recent studies and approaches, which only seem to focus on the actions (strategic or otherwise) of one specific party: management. It is true that the institutional ties have become 'looser' in recent years and that interest organizations have less influence than they used to, but that does not mean that the collective regulation of the employment relationship has disappeared altogether. While fierce competition has increased the pressure on management to improve company performance on an ongoing basis, management today has more room for manoeuvre when it comes to introducing innovative strategies in the field of personnel and organization. And indeed, in a number of instances management has actually taken advantage of its expanded scope. One piece of evidence can be found in such social and organizational innovations as human resources management, teamwork, total quality control, lean production techniques, kaizen, business re-engineering and so on (concepts which are not as widely and successfully diffused in practice as in the literature). None of this is meant to imply that recent changes in employment relations can be traced back solely to these management strategies, nor that analysis should shift from a concern with industrial relations to the flexible deployment and utilization of labour under the management prerogative. In our opinion, the employment relationship always involves a whole range of participants, all of whom should be taken into account in a balanced analysis. In the first instance there are the individual employer and employee who enter into the exchange. In addition, however, there are the collective actors such as interest organizations, the works councils, the trade union representatives on the shop floor, the autonomous workgroups, and the quality circles. All these participants have specific needs, goals, values and interests: they all have the ability to take action based on strategic choices.

The limits of the existing analytical frameworks have inspired us to develop a more balanced analytical framework for the present book. Here the 'employment relationship' serves as the main concept, as the focus of analysis. This 'employment relationship' refers to the conditions under which an employer decides to hire labour and under which the employee decides to sell his manpower to the employer. These conditions are the result of a continuous exchange and are related to different aspects of the deployment of labour, for example wages and other employment terms, working hours and the working week, job security and career prospects, safety at the workplace, and job autonomy and control. We have taken the developments in employment relations as our central object of research. Such developments can only be understood when viewed in context, that is, from the perspective of the organizations in which labour is deployed, the markets in which these organizations operate, the institutions which regulate certain aspects of employment relations and the interest organizations which operate within this institutional framework. The employment relationship is the result of economic, social and technological developments, and of the way in which the various actors respond to such developments. It can also be viewed as a mirror which reflects interrelated changes in markets, organizations and institutions.

A comparative approach

Among continental EU member states, the most important terms of employment of at least two-thirds of the workforce are laid down in collective bargaining agreements; in Great Britain that applies to only 47
per cent of the workforce, in Japan to 25 per cent and in the United States to only 18 per cent (Traxler, 1994). There are considerable differences between European countries with respect to the importance of labour market institutions and the role they play in determining the terms of employment. Both the scope of collective action and the way in which workers and employers mobilize themselves to take collective action vary significantly from one country to the next (see Hartog and Theeuwes, 1993: 422).

Do institutions matter? Do interest organizations matter? These questions have lost none of their urgency in recent years. The globalization of markets, global competition, improved communication and transport technology and the development of trade blocs and supranational political institutions such as the European Union have made the need for cross-national comparative research even more pressing. Frequently such research gives priority to considerations: how are different countries performing and to which institutionalized practices can we attribute superior performance? At the socioeconomic level, the main question is how such institutions as nationwide or sectoral collective bargaining, extension practices, co-determination rights and so on contribute to a country's economic and social performance (for instance in terms of profits, GDP growth, employment growth and labour market participation rates, labour-market mobility, distribution of wealth, diffusion of new technology, social peace).

Although these practical questions are valid, we are much more interested in the scholarly significance of cross-national comparative research. We have not limited our work to the study of national differences in industrial relations. These differences are the subject of another book (Industrial Relations in Europe, Sage, 1996), edited by Jelle Visser and Joris Van Ruysssevelt. In the present book, our particular interest is the answer to the question: in what respect do institutions matter? More specifically, what are the consequences of labour market institutions for the terms and conditions under which work is performed? National differences in the areas of wages, working hours and flexible time arrangements, and organizational and qualification structures in companies, are all related to the system of industrial relations and the collective bargaining structure specific to a particular country.

3 Outline of the book

The present book takes as its subject the changes which have affected the employment relationship in recent years. We have narrowed our focus to the larger European countries and to three specific dimensions of the employment relationship: wages, working hours and qualifications (competences). These dimensions are placed within the context of changes which have affected the market, production technology, organizations and institutional relations. In addition, attention is given to institutions and interest organizations, once again against the background of important economic, technological and social changes.

Part 1 deals with important theoretical perspectives on industrial and employment relations and elaborates on the analytical framework applied in this book.

Interest organizations and industrial relations in a changing Europe

Part 2 deals with the interest organizations of employees and employers. In general, these organizations have had a long and often turbulent history. They have had to fight to gain legal and factual recognition from third parties and the government as the legitimate representatives of such interests. Employers' associations and trade unions have had a major impact on the economic and political history of their countries, and this history is in turn reflected in the identity and structure of these organizations. In recent years interest organizations have come under increasing pressure. Membership is falling, partly as a consequence of individualization and the general rise in the level of education, but also because there is growing scepticism about the utility of collective forms of regulation. They have also been affected by the loss of national sovereignty due to globalization, and by the fact that governments plagued by debt and uncontrollable budget deficits have less and less room for manoeuvre.

Interest organizations are furthermore under attack from a more ideological viewpoint. Belief in their ability to make a constructive contribution to economic growth and social progress is fading away. Increasingly they are being held responsible (at least in part) for high (minimum) wages and the attendant high level of unemployment, for (excessively) short and inflexible working hours, for rigid job structures and for unnecessary delays in introducing technological, social and organizational innovation. In short, in the present-day context of far-reaching economic restructuring, interest organizations have, in the eyes of some, become part of the problem. Others, however, view them as part of the solution to socioeconomic problems. As we will see in Part 2, the contribution which interest organizations can make to socioeconomic development depends in part on their own organizational structure and resources.

The study of interest organizations should contribute on the one hand to a better understanding of the developments affecting industrial and employment relations. On the other hand, interest organizations are an 'independent' object of cross-national comparative research. Why and how do employees and employers organize? What are the problems and what solutions have been found? What resources and structures do interest organizations have at their disposal and how have they acquired them over the course of their social and political history? How have they recruited, retained and mobilized their members to undertake collective action? In
what way have the members succeeded in influencing the strategies, programmes and interventions of their interest organizations? The crossnational comparative analyses set out in Chapters 3 and 4 show that both trade unions and employers' associations are complex organizations which juggle contradictory organizational requirements, because they must deal simultaneously with their own members and with other interest organizations and state agencies. As interest organizations, their success depends on the degree to which they succeed in actually furthering the interests as perceived by their members. As participants in socioeconomic decision-making and as one of the parties which regulates the labour market, they are forced to make compromises. Hence, the credibility of interest organizations as bargaining partners depends on the degree to which they can compel their members to comply with the stipulations of a collective agreement. It is not surprising that external clout and internal democracy are often at odds within such organizations.

In Chapter 5 we will look at how the position and role of government in industrial relations varies between European countries. In the 1980s, the government seemed to be withdrawing, apparently intent on creating more room for free markets and for self-regulation by the market participants. This is a one-sided evaluation, however. It is probably better to say that governments redefined their roles and objectives. They have continued to intervene, but this time with a view to improving the competitiveness of their economies, for instance by cutting back on social expenditure in order to create a leaner welfare state, or by enforcing wage moderation in order to restore exports and fight unemployment. Industrial and employment relations have without a doubt felt the effect of the redefinition of government policy. Nevertheless, we should not underestimate the role of government in industrial relations. As legislator it regulates important substantive aspects of the employment relationship. It pursues a socioeconomic policy, either in consultation with labour and management or alone. It determines to a large extent the rules of the game for industrial relations. It is even the biggest employer, and in this capacity it determines the terms of employment for a large section of the working population. Finally, the government provides important collective goods such as education, health care and infrastructure, without which a modern economy cannot function.

Institutional and organizational change

Part 3 focuses on the most important industrial relations institutions and processes. Chapter 6 discusses collective bargaining agreements, and Chapter 7 the various bodies, both voluntary and statutory, which provide a platform for employee participation in company policy-making. We will continue to look at differences between European countries as regards the importance of these institutions and how they function, as well as the changes which have become apparent in the past few years. Like many other aspects, collective bargaining structures have also felt the pinch of global competition. To retain or expand their share of the market, managements are at times forced to intervene drastically in the structure and technology of production, in the organization and working methods applied, and in areas of personnel policy. Company-specific solutions are being sought for company-specific problems. Whenever such solutions have repercussions for the terms of employment of at least a portion of the workforce, it is often the case that the chosen strategies are incompatible with provisions set out in the collective bargaining agreement. There is tension between the collective regulation of the employment relationship and the actual processes which are set in motion on the shop floor. This leads in a limited number of cases to deregulation, specifically the rejection of collective forms of regulation, and in extreme instances to a radical policy of union avoidance. In a number of other cases, a process of decentralization gets under way; the regulation of the employment relationship no longer takes place at national or sectoral level, but rather at company or plant level. In general, in most countries collective bargaining structures have become more complex and flexible; the regulation of the employment relationship takes place at various more or less mutually coordinated levels, leaving more room for company-specific or even individual arrangements. The question is to what extent institutional innovations have been or are being introduced, and whether such innovations will make it possible for the parties to respond effectively to the processes of economic restructuring.

Wages, working time and qualifications

In Part 4 we look at changes in three dimensions of the employment relationship. Chapter 8 offers an analysis of wage differences, not only between countries but also between sectors and job categories within countries. The chapter also discusses why wage differentials have increased since the 1980s in most European countries. In Chapter 9 we discuss national differences in working time arrangements, a volatile subject in the field of industrial relations in recent decades - recall, for example, the strongly articulated demand for a collective reduction in working hours as a means to create new jobs. In the mid-1980s a shift became evident in most West European countries from collective working time reduction to more flexible working time arrangements and extended operating hours. The reason for this shift is that management had 'discovered' time as a manipulable factor of production. In many countries, flexible working time arrangements are an outcome of collective bargaining. On the other hand the importance of individual agreements between employer and employee on this issue has increased as well.

Chapter 10 explores a third dimension of the employment relationship, that is, the competences required to perform a job. The qualitative aspects of the employment relationship are seldom the object of collective
regulation. Nevertheless, cross-national comparative studies have shown that there is a relationship between the organizational structure of companies and the educational and industrial institutions which typify a particular country. The societal effect approach proposes that differences in the way companies are organized are related not only to technological and economic factors (contingencies), but also to social and institutional factors (societal effect).

**New technologies, organizational change and employment relations**

Finally, in Part 5, we take a dynamic view of the relationship between markets, organizations, employment and industrial relations. A comparison of different countries in Chapter 11 once again reveals that the way in which companies respond to developments in the markets they supply and the repercussions that these responses have for the organization and qualification structure are influenced by the industrial relations system specific to that country. We may conclude, then, that institutions do matter and that they should continue to be the object of study.

In Chapters 12 and 13 we look at the interrelations between developments in markets and technology, organizations and industrial relations in three important industrial sectors: the automobile industry, the banking industry and the retail trade. Our observation remains the same: competition has placed common pressure on enterprises in the same industry to improve performance. Economic rivalry impels enterprises to compare their methods and accomplishments and to imitate those practices which lead to improved performance. Innovations in personnel and organizational policy often have an impact on industrial and employment relations. However, there is no direct relationship such that each intensification of competition has immediate and direct consequences for industrial and employment relations. Competitive pressure does not therefore necessarily lead to convergence, or to the evolution of comparable labour market institutions. On the one hand, institutions are an important influence on the way companies respond to competitive pressure. On the other hand, the goal of enterprises is not to transform industrial and employment relations, but to remain competitive. If that goal can be achieved within the parameters of existing institutions, they are not likely to be altered.

4 Convergence or fragmentation?

It was not the intention of the editors of this book to provide an all-inclusive description and analysis of developments in the field of industrial and employment relations in Europe. It is becoming more and more problematic to describe such developments with overused terms and concepts such as decentralization and flexibility. Reality is growing subtler and more complex, and developments are often ambiguous or paradoxical. Then again, developments in industrial relations and those in employment relations often lead to very different results.

We expect that the future will bring only greater diversity in employment terms and industrial relations, not only between countries and sectors but also between companies and occupations. The question for the future, then, is not so much whether we will see 'growing or declining cross-national diversity', but whether we will see growing 'diversity tout court', that is to say at all levels and in all sectors of the economy. Instead of the convergence of country-specific systems of industrial relations towards a common (European) model, the years ahead may instead reveal the disappearance of national models and the development of more fragmented labour markets with increasingly important 'new' actors (such as works councils or quality circles), and the development of institutions closely allied to specific parts of these fragmented labour markets. Diversity is increasing; alongside classic institutions for the regulation of the employment relationship – more specifically collective bargaining above the level of the company – other, 'new' forms are emerging: consultations at company level (whether or not within the context of statutory bodies), individual bargaining between employer and employee, or unilateral decision-making by employers as a consequence of the gradual restoration of management prerogatives. Whether the process of de-collectivization and fragmentation continues and becomes dominant will depend among other things on government policy. Do European governments consider deregulation and flexibilization of the labour market as the only effective instruments to combat the persistently high rate of unemployment? Or are they setting a new course leading to new, economy-wide institutions focusing, for example, on the redistribution of labour or on a structural reduction in labour costs along with the preservation of modern labour standards?

It is our hope that the analytical framework presented in this book will make a significant contribution to the analysis of future developments in industrial and employment relations.