

Politics, ideology and non-market coordination in liberal market economies.

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Abstract

This paper represents the first step in a research project which seeks to more closely examine the differences in industrial relations systems between four liberal market economies (LMEs). The four cases are New Zealand, Australia, the United Kingdom and Ireland. In the context of increasing predictions about greater liberalisation of labour markets and a trajectory of convergence on an Anglo-American model of IR (e.g. Baccaro & Howell, 2011; Colvin & Darbishire, 2013), the paper focuses on some of the differences. Specifically it examines why forms of non-market coordination persist in some LMEs, how effective these coordination mechanisms are at protecting workers wages and conditions, and some of the reasons for these continued differences. Our argument is that politics and ideological interests play a more significant role than has hitherto been acknowledged in the literature. This approach does not deny the influence of institutions but acknowledges a role for agency. In doing so, it rejects the deterministic and depressing picture inherent in some accounts and offers hope for protecting workers interests and their employment rights going forward. The case analysis draws on previous empirical research the authors have conducted in the four countries as well as secondary sources. The paper proceeds as follows: first, a review of the current convergence-divergence literature is presented; second, we present a first analysis of our four cases focusing in particular on the role of politics and ideology in explaining the different paths the IR systems in the four countries have taken over the past 30 years; we conclude with some initial thoughts on our cases.

Convergence or Continued Divergence?

Advocates of neo-liberalism have long presented the deregulation and individualisation of industrial relations as the necessary and inevitable outcome of changes in the international economy. Global economic pressures will prove too great for nation states to resist, and national systems of industrial relations will converge on a more efficient decentralised and deregulated model. This convergence thesis was strongly rejected by a broad stream of comparative political and industrial relations literature, not least because divergence in institutions and outcomes continued to be observed. Thus, the titles of such voluminous texts as *Political Economy of Modern Capitalism: Mapping Convergence and Diversity* (Crouch & Streeck, 1997), *Continuity and Change in Contemporary Capitalism* (Kitschelt et al., 1999) and *Varieties of Capitalism* (Hall & Soskice, 2001) highlighted the diversity and complexity that characterises modern capitalist economies. This literature suggests that economies do face similar pressures, with growing international competition, the increasing influence of capital markets and changes in production from 'Fordist' manufacturing production

techniques to 'flexible specialisation' and a growing service sector. These changes have led to a shift in emphasis at the macro level, from issues of redistribution to a focus on competitiveness and efficiency within restrictive monetary and fiscal frameworks. At the workplace level, employers have increased their demands for flexibility in response to changes in production technology and consumer demand. In addition, increasing heterogeneity in the labour force including increased female participation rates and high levels of immigration, combined with a decline in traditional blue-collar manufacturing and a rise in service sector employment, falling union densities and a weakening class identity, have made it more difficult to coordinate economic and social interests in response to the changing environment. Nonetheless, despite the similarities of the pressures facing advanced industrialised economies, the argument is made that these pressures are filtered and diffracted in different ways by diverse national institutional arrangements, one part of which are national systems of industrial relations. These national level institutions have deep historical roots and can absorb significant economic shocks (e.g. Hall & Soskice, 2001; Hollingsworth & Boyer, 1997; Iversen & Soskice 2009; Martin and Swank, 2012). Thelen (2001, 2014) has long argued that these institutions survive not because they are static, but because they are flexible and adaptable. Coordination she argues is a dynamic political process that is constantly fostered and renegotiated.

More recently, some institutionalists have shifted camp, arguing that any apparent divergence conceals an underlying trend towards greater liberalisation (e.g. Baccaro & Howell, 2011; Streeck, 2009). Baccaro and Howell (2011), argue that industrial relations systems have been transformed in a neo-liberal direction as evidenced by the shift towards greater decentralisation and deregulation of wage bargaining, where organised labour is weaker and employers have greater discretion, and where bargaining outcomes are much more closely aligned with competitive pressures and market forces of supply and demand. Their analysis is based on quantitative data from 15 countries and qualitative data from 6 countries, including LMEs and CMEs. While they acknowledge the existence of quite different institutional forms, with some countries deregulating their labour market institutions and protections while other have retained them, they argue that many of the institutional arrangements that are held up as proof of divergence have in fact undergone what they call 'institutional convergence'. For example, centralised systems of collective bargaining, which previously played a role in addressing wage inequalities, now act to promote competitiveness and wage restraint, while works councils, which previously served as workplace representatives of industrial unions, build cooperation between workers and the firm. Both approaches they argue have reduced constraints on employers and increased employer discretion around how they manage their workforce. Colvin and Darbishire (2013) examine changes in the industrial relations systems of six Anglo-American countries. They argue that there has been a clear convergence in a 'conservative' direction, with a shift from what they call a public ordering of industrial relations to a private ordering. That is, prior to the 1980s the setting of wages and other conditions was previously influenced by wider institutional forces in quite a few of their case study countries, whereas there has been a convergence over the last 30 years on a model where bargaining has been largely decentralised to the workplace level. They also point to a convergence in the development of employment laws, which provide a minimum floor of conditions and basic union representative rights.

However, focusing on similarities between countries can often lead to important differences being ignored. Additionally, similar changes to institutional arrangements may not lead to the same outcomes in each case. For example, one indicator that Baccaro and Howell use is the significant decrease in industrial conflict. They acknowledge that a decline in industrial conflict might be due to an increase in labour power, with employers giving in to union

demand, but given the wider economic context they suggest it is more likely the result of reduced labour power. However, this analysis leaves out many alternative possible explanations. Firstly, any analysis which compares industrial conflict figures with the 1970s is open to criticism given this was a period of high inflation and heightened economic uncertainty. A more reasonable comparison might be made with the 1950s or 1960s if one wishes to compare to the halcyon days of the golden era. Additionally, the observed decrease in industrial conflict from the 1980s might be for quite different reasons in different countries. In the UK for example, it could be attributed to the legislative assault by the Thatcher conservative government on union power (Brown and Wadhvani, 1990). In Ireland in contrast, the decrease in industrial conflict from 1987 onwards was the direct result of social partnership, which led to better outcomes for workers. In the period prior to social partnership industrial action has been leading to significant nominal wage increases, but because of high inflation incomes were actually decreasing in real terms. Social partnership enabled real wage increases and thus removed the need for industrial conflict. In Australia under the Accord, unions agreed to curb industrial action in return for improvements in the 'social wage', including superannuation and health care. Similarly, using decentralisation of wage bargaining as a proxy for neo-liberalism may lead to inaccurate conclusions. In Denmark, for example, wage bargaining has been increasingly decentralised to the firm level with many collective agreements now containing only minimum or no wage rates. However, bargaining occurs within a framework set at industry level, which ensures some degree of wage equality and social solidarity are maintained.

Competitive corporatism

The concept of 'competitive corporatism' (Rhodes, 1998; 2001), sometimes referred to as 'supply-side corporatism' (Traxler, 1995), used in the literature on social pacts is useful here. This concept attempted to capture the way in which the emergence of social pacts from the late 1980s onwards in a number of European countries were different in many respects from the corporatist deals of the 1970s, but also attempted to maintain some element of social solidarity. Thus, they placed a priority on competitiveness and flexibility, with wage moderation a key feature of most agreements and pay increases often based on the international competitiveness of the export sector. While they may have attempted to address redistribution issues there was far less emphasis on preventing wage dispersion which was characteristic of the 'solidaristic' Nordic version of corporatism in the past. In addition, increasing pressures on public expenditures, particularly as a result of rising health care costs and ageing populations, combined with the fiscal constraints imposed by the European Monetary Union (EMU) and the Stability and Growth Pact, meant that reform of pensions, social security and taxation, rather than increased social spending, were central to the bargaining agenda. Even though market-conforming reforms were key elements of all social pacts, most commentators emphasised that they were inherently different from neo-liberalism. While unions were often required to make concessions they were able to exercise significant influence over key areas of public policy affecting their members such as unemployment, pensions or employment rights. Institutional supports for unions and collective bargaining were also strengthened through the process. While employer demands for flexibility were accommodated, the process of social dialogue ensured greater flexibility was gradual and negotiated. Hence, a balance could be struck between flexibility and security, or what is sometimes referred to as 'flexicurity'. In addition, the negotiated nature of the process increased the social legitimacy of reform and reduced the chances of social and industrial unrest. While there may have been less emphasis on wage dispersion, social pacts did in most cases play a role in ensuring that wage inequality did not increase to the same extent as in liberal market economies (c.f. Fajertag & Pochet, 2000; Regini, 2003; Rhodes,

1998 & 2001; Sarfati & Bonoli, 2002; Traxler 2003). While the era of social pacts is largely over, their emergence and institutionalisation, in some cases over a long period, highlights that competitive pressures can be addressed in multiple ways. Their subsequent demise does not *necessarily* signify the onslaught of greater deregulation and neo-liberal reform.

'Varieties of liberalisation'

Thelen (2014) continues to make the case that despite a liberalising trend, there are very distinct 'varieties of liberalisation', and that an analysis of outcomes shows significant differences when it comes to income distribution and social solidarity. Moreover, she argues that in the current economic context, some forms of liberalisation are necessary to deliver the high levels of social solidarity that earlier models of coordination delivered. Thelen distinguishes between three models: a 'liberal' model of 'deregulated' capitalism represented by the US; a model of 'embedded flexibilization' underpinned by national systems of coordination represented by Denmark; and distinct systems of sectoral coordination producing a model of 'dualization' represented by Germany, as well as other countries exhibiting partial durability in non-market coordination, such as Japan (Thelen 2014: 13-15).

However, the case for continuing variation in industrial relations systems is largely a case centred on CMEs: that it is not inevitable that CMEs will succumb to the pressures of globalisation and liberalise their institutions; that it is possible for CMEs to hold on to their forms of collective bargaining and non-market coordination; that CMEs do not need to weaken their labour market protections, social solidarity and commitment to income equality. The case is rarely made that it is possible for LMEs to reverse the liberalisation that has occurred. Indeed, Hall and Soskice (2001) argue that each system of capitalism has its own institutional logic that lends itself to different economic comparative advantage. For LMEs, comparative advantage comes from the flexible labour markets and unilateral management control in LMEs. This enables them to produce products that require radical innovations and rapid change, such as biotechnology, microelectronics, telecommunications and professional services such as software development. Outside of these high-skilled, technology-intensive sectors, Hall and Soskice (2001, p44) suggest that the fluid labour markets of LMEs are suited more to "the production of goods and services that require less skilled but lower-cost labour". They acknowledge that LMEs are characterised by greater inequality and longer working hours, though their focus is economic performance. While they do not explicitly state it, the clear implication is that this is a cost LMEs must accept, as changing the institutional arrangements would undermine the institutional complementarities and hence impact on economic performance: as they note, hybrid models are inherently unstable. Thus, what they offer for LMEs is highly deterministic and provides legitimation to increasing inequality and to neo-liberal assaults on collective bargaining and employee rights, while offering little hope of reform for those countries whose institutional frameworks lend themselves to the LME route (Coates, 2002).

We reject such determinism and suggest that there are small, but nonetheless significant differences between LMEs that are partly due to agency. As Crouch (2005: 3) argued in putting forward his ideas on 'institutional entrepreneurship', there is not an "iron cage of institutions, which [the actors] cannot change". Here we build on the work of a number of other scholars who have also made a case for institutional analysis to include agency and politics. In a comparison of the diverging paths between Australia and New Zealand in the 1990s, with NZ adopting a more radical path, Wailes et al. (2003) were critical of much of the literature that had explained the divergence solely by reference to institutional factors such as the organisation of labour movements, the coherence of employer organisations, and differences in parliamentary systems that meant radical reform was more easily achievable in

NZ than Australia. They argued that NZ had suffered a more severe economic downturn during the late 1970s and early 1980s and that the removal of tariffs and other protectionist measures had meant that the NZ manufacturing sector was facing far greater competitive pressures than their Australian counterparts. They thus argued that employer' interests was a better explanation for the divergence. They also found support for their position by arguing that institutional differences that matter in one period must also matter in another period. While their analysis rightly places focus on employer' interests, it can be critiqued for assuming a certain rationality on the part of the actors. In doing so, they ignored the well-orchestrated ideological campaign by powerful business groups in New Zealand whose calls for change went well beyond the legitimate concerns of employers. As Dannin (2001: 1109) argued, the campaign for reform (and the subsequent campaign to keep the reforms) resembled a moral crusade "motivated by a quasi-religious zeal for, and belief in, economics and contracts as the way to bring about the best results". In a later piece (Barry & Wailes, 2004) this limitation is acknowledged and a call is made for comparative institutional analyses to include interests and ideology.

Culpepper (2008) is another who looks at employer' interests in developing his ideas on 'common knowledge' creation. In looking at Ireland he argues that Irish employers signed up to social partnership because they became convinced that unions shared their understanding of the cause of the economic crisis and would honour their commitments. While not denying there is some truth to his analysis, we would suggest that it is incomplete. He assumes that actors can be motivated by rational argument and in doing so ignores ideology. Despite evidence of the potential efficiency-enhancing effects of certain institutional arrangements, employers may simply not wish to voluntarily engage in cooperative relations with unions. Economic performance debates may simply be a smokescreen for ideologically held beliefs (Visser, 2001). Thus, the role of ideology in determining and sustaining institutional arrangements is a critical factor (McLaughlin, 2013). Why is it, for example, that 'knowledge creation' did not occur in NZ or in Britain; why is it that Irish employers did not get on the neo-liberal bandwagon? Why has a system of coordinated wage safety nets been restored in Australia? These are questions we will examine later in the paper.

More recently Culpepper, writing with Regan (Culpepper & Regan, 2013) has turned his attention to the role of unions, arguing that union legitimization is a key factor in explaining why governments might engage in coordinated wage bargaining with unions and employers. Specifically they look at the negotiation of social pacts in Ireland and Italy, but one would assume their arguments would apply to other forms of coordination also. They argue that a decline in union legitimization best explains the growth and collapse of social pacts. Union legitimacy they suggest is evidenced by either the 'stick' of union capacity to engage in or threaten militant behaviour in response to a particular reform package, or the 'carrot' of mobilising political support to provide legitimization to government reforms. When union legitimacy is high, governments and employers need them and they are more likely to be invited to negotiate over the process of economic adjustment. Using Ireland and Italy, they argue that union legitimacy has declined, which is why unions were not invited in to negotiate over policies to address the economic crises. This is an interesting argument, though we would suggest much more lies behind union legitimization, and they do not explain why union legitimization decreased during the period they consider. We would suggest that politics and ideology play important roles in explaining how union legitimization changes over time or how unions might have legitimacy in one country but not in another. For example, union legitimacy diminished in New Zealand in the late 1980s, primarily because of the relentless ideological campaign by the Business Roundtable, but Australian unions were able to maintain their legitimacy during the same period through its Accord with the Labor

government in which wage moderation was delivered in return for ‘social wage’ provisions to protect the living standards of workers and their families.

Hamman and Kelly (2003, 2007) analyse the emergence of social pacts in Europe during the 1990s through the lens of electoral considerations and suggest that too much focus has been placed on economic pressures. They point out that governments are more than macro-economic managers; they are also motivated by party politics and election outcomes. They argue that domestic political issues were central to why social pacts emerged or did not emerge in a number of European countries.

Ontological approach

One characteristic of much of the institutional comparative literature is an attempt to isolate causal factors in explaining change. The comparative analysis of Australia and New Zealand by Wailes et al. (2003) was critical of the institutional approach in that they claim it tends to “exaggerate the causal significance of institutional variables” (p632). However, rather than question the extent to which identifying causation is in fact achievable, they point instead to the need for the institutional approach to include a wider range of variables in order to better establish ‘the’ causal reason as to why New Zealand adopted a more deregulated path than Australia. They also note that an Australian and New Zealand comparison provides the perfect conditions for “establishing causal inference” (2003, p626), implying that it was as close to experimental conditions as one could find in the social sciences. They were also critical of some of the explanations previously offered in the Australasian comparative literature, as some of these could explain the divergence that happened in the 1980s and early 1990s, but not the convergence that began to take place from the mid-1990s onwards. This line of reasoning assumes that robust explanations should be capable of being generalised in a variety of contexts and time periods, or if not, that contextual factors can account for any deviation from the generalisation. A similar approach is adopted by Roche (2012) in his review of the various accounts of Irish social partnership; many of these he dismisses because while they might explain the emergence of social partnership they are less suited to explaining its institutionalisation or its demise. Such an approach assumes that “societies are aggregates of variables which can in principle be isolated analytically” (Hyman, 2001: 208). The role of social scientists is thus to uncover the range of variables and work out how they interact. Such an approach supposedly enables us to draw detailed causal inferences and presumably predict with some certainty, given certain contextual conditions. This approach is based on a positivist, or at least a post-positivist, paradigm. It assumes there is a ‘true’ explanation that can be unearthed.

An alternative interpretivist or constructivist approach posits that the social world lacks this degree of certainty, reliability and predictability (Schwandt, 1998) and rejects the idea that it is possible to reduce the social world to variables. Moreover, as the concept ‘interpretivist’ suggests, knowledge of the social world emerges from interpretation. Thus, reality is complex, subjective and multiple, and facts and values are largely inseparable. Research is thus not about establishing causal relationships but about understanding the way in which reality is socially constructed and constituted through the everyday language, meanings and interpretations given to actions by the social actors; interpretations that will often be divergent and contested. The researcher is also involved in this process of creating and interpreting and giving meaning to the social reality, and therefore the subjectivity of the research is acknowledged (Mason, 2002).

This is the approach we adopt here. We do not seek to identify definitive ‘causal inferences’ and indeed, we question whether such an exercise is possible. Institutions interact with other institutions and are embedded in complex social, historical and political processes. Separating out the impact of specific institutional arrangements on economic and social outcomes with any degree of certainty is at best problematic and arguably a futile exercise. Rather, what is of interest, is the various meanings ascribed to the institutional structures and processes by the actors involved. From the interpretation of such accounts credible explanations will emerge and important comparative lessons can be drawn. As Hyman (2001: 224) suggests, comparative research “is an art rather than a science... [where] our main contribution to understanding lies in our ability to tell a plausible and elegant story... How we move from this to comparative argument and explanation will always involve a certain alchemy”.

New Zealand

The radical reform of New Zealand’s industrial relations in 1991 has left a lasting impact on wage bargaining and industrial relations since. Not only did it institutionalise decentralised and individualised bargaining, but it ingrained a new discourse about the labour market. This section briefly outlines some of the key changes in NZ’s industrial relations framework over the past 30 years and then discusses some of the economic, institutional, political and ideological factors that contributed to the changes.

New Zealand is internationally recognised for diametrically opposed models of industrial relations: the Industrial Conciliation and Arbitration Act 1894 (IC&A) and the Employment Contracts Act 1991 (ECA). Whereas the aim of the former was clearly pluralist in its philosophy, “to encourage the formation of industrial unions and facilitate the settlement of industrial disputes by conciliation and arbitration”, the aim of the latter was unashamedly neo-liberal, “an efficient labour market”. The former instigated a highly centralised system of collective bargaining through the Award system, with unions legally established as representatives of workers, the latter instigated a highly decentralised and individualised system with unions removed from the legislation and replaced by employee bargaining representatives. The impacts on bargaining processes and outcomes were dramatic (c.f. Deeks et al., 1994; Dannin, 1997), and particularly so for low-paid workers, where a ‘sign or resign’ approach to new terms and conditions was widespread (McLaughlin, 2000; McLaughlin & Rasmussen, 1998). An analysis of supermarket wages between 1991 and 1997 found that commencement rates for part-time adults decreased in real terms by 36 percent and for full-time adults by 18 percent (Conway, 1999).

In 2000 the Labour-led government attempted to rebalance the employment relationship with the Employment Relations Act (ERA), where the objectives were once more pluralist and include the promotion of collective bargaining, building productive employment relationships and addressing “the inherent inequality of bargaining power in employment relationships”. While the ERA introduced some important changes, the Act was created in the shadow of the ECA and bargaining has remained highly decentralised and individualised.

While the arbitration system was completely dismantled in 1991, it had come under pressure from the late 1960s. Boxall (1993) argues that, in hindsight, this 20 year period can be seen as one of a slow drift towards decentralised bargaining. A shortage of labour had given rise to an increase in second-tier bargaining, and the government had increasingly intervened in wage fixing and dispute settlement, including the imposition of general wage orders and a 13 month ‘wage and price freeze’ in 1983. Employer associations were dissatisfied with the degree of centralisation of bargaining and the way in which the Awards settled at the start of

a wage round set the trend, with other Awards falling into line like a pack of dominoes (Harbridge, 1993). They argued that this highly centralised approach to wage settlements was detached from the concerns of individual employers as New Zealand became increasingly integrated into the world economy. Their concerns were exacerbated by the neo-liberal restructuring of the economy post-1984 by the Labour Government, including the reduction and removal of subsidies and tariffs, deregulation of the financial markets, privatisation of state assets, the corporatisation of government departments and the pursuit of monetarist macroeconomic policies. In addition, the various Awards had been structured primarily on an occupational basis rather than along industry lines. Thus, they claimed there was little scope to reflect the ability of a particular industry or enterprise to pay, or to introduce changes in specific workplace practices.

The one area of the economy that Labour did not radically reform was the labour market, though it did attempt to introduce change through the Labour Relations Act 1987. The most significant change of this piece of legislation was the requirement that each worker be only covered by one set of negotiations. Thus, secondary or two-tier bargaining was eliminated, with the intention of encouraging stronger unions towards decentralised bargaining. The presumption was that, given they were securing over-Award rates through secondary bargaining, these groups of workers would prefer to develop local agreements, leaving Awards as protection for vulnerable workers in the thousands of small and geographically spread workplaces across the country (Walsh, 1992). The result however, was that while a small number of enterprise agreements were reached, these were the exception rather than the rule (Deeks et al., 1994). Unions that had benefited from secondary bargaining tended to remain with the multi-employer Awards. The union resistance to moving towards enterprise bargaining was two-fold. The first was that in the context of the wider reform agenda there was fear that this might be the thin end of the wedge, and with some of the larger and more unionised workplaces outside the Award, the system might easily be dismantled. The second was a solidarity consideration: the workplaces leaving the system would be those where workers had more bargaining power and unions were concerned about the impact of this on the more vulnerable workers left within the system (Deeks et al., 1994).

Critics thus claimed that the Labour Relations Act did little to improve labour market flexibility. The structural and institutional aspects of labour relations had not changed significantly with national Awards remaining a major feature of the system. While Labour may have had the right idea in attempting to encourage the larger workplaces and more powerful unions to move outside the system while maintaining protections for vulnerable groups, their labour market reforms failed to achieve this objective. For Wailes et al. (2003), the legitimate competitive concerns of employers, and in particular manufacturers and agricultural exporters, is central to understanding New Zealand's radical change of direction under the ECA.

However, while economic factors clearly influenced the change that occurred, a number of institutional factors are also important. The first was legacies of the arbitration system itself. Union membership for much of the period prior to 1991 was compulsory. Additionally, it was usually the same strong unions that started the wage rounds and took industrial action if necessary, with most Awards following the trend set in early agreements. Thus, there was a low level of 'articulation' (Crouch 1993) with the majority of workers detached from both the process of negotiation and from the unions themselves, with benefits being delivered to members via the arbitration system or from the struggles of other groups of workers. Many workers came to expect these benefits without any personal involvement or struggle.

Moreover, despite high union density levels (around 50 percent during the 1980s) unions had a very negative public image, even among their own membership. One of New Zealand's leading labour historians, Herbert Roth, described them as among the most unpopular institutions in New Zealand, ranking them below traffic officers and just above rapists. The system was also highly legalistic, which entrenched the belief that all industrial issues could and should be solved according to legal processes and rights (Deeks et al, 1994). This encouraged an adversarial approach on both sides and hence a complete lack of cooperation and trust between unions and employers. Even when there was agreement, the parties had to go through the technical process of creating a 'dispute of interest' in order to register their agreement with the Arbitration Court. There were no tripartite structures for developing cooperation or consensus over key labour market and industrial issues, and particularly the changing economic context. In the context of mass redundancies, unions had realised that the economic survival of their members' workplaces had become as much a union concern as it was an employer concern and had begun a process of moving from occupational to industry bargaining (Street, 1994). However, the process of change by unions was, arguably, too slow. They had missed the opportunities offered by employer organisations on various occasions for what appears in hindsight to be quite moderate change. By the time the union movement had begun to restructure and present itself in a more positive light, the agenda of the key employer groups had moved on. This is perhaps best illustrated in the national accord struck between the government and the trade unions over the 1990 bargaining round. The NZEF as the peak employers' association refused to be part of it, already sensing a National election victory and the prospect of radical reform. As Boxall (1991: 291) argued, "Labour's failure to seriously grasp the nettle of trade union reform ensured that National would do so on a basis less favourable to the Labour party's industrial wing".

A second important institutional factor is New Zealand's unicameral system of government. Prior to the 1996 election, New Zealand had a first-past-the-post system based on the UK model. With only two major parties, this always delivered majority governments. With no upper house, the government had a significant autonomy to introduce change. Despite overwhelming public opposition to many of the reforms in the post-1984 period, first under Labour and then continued by National from 1990, they were passed through Parliament with relative ease. Public frustration led to a referendum on electoral reform in 1993 and a shift to proportional representation from 1996 onwards. Since then, all elections have delivered coalition governments and less scope for radical reform.

Ideology played, arguably, the most fundamental role in the change that occurred, and also changed the nature of industrial relations discourse in New Zealand. What took place in the latter part of the 1980s was a hegemonic battle about how the labour market should be governed. While certain segments of the employer community had legitimate concerns these were not universally shared. A number of studies conducted prior to 1991 reported satisfaction with the system among a significant body of employers. For these employers, the system provided stability and removed the need for them to engage in bargaining directly with their staff. It also placed few constraints on the ability of smaller organisations to make operational changes (c.f. Dannin, 1997; McAndrew & Hursthouse, 1991). Indeed, the Auckland Employers Association (1991) argued against the radical deregulation being promoted by other employer organisations and advocated for reform of the Award system not for its abolition. However, legitimate concerns that might have resulted in changes to the existing system were overtaken by a well-orchestrated and vociferous ideological campaign for radical reform by the NZEF in conjunction with the NZBR. The catch cry was 'flexibility' and the accusation was that the labour market was overly rigid in every dimension, and that it

was responsible for the wider economic malaise, for unemployment and poor economic growth (Haworth, 1990; Walsh, 1992). In addition, their claims were often straightforward anti-union rhetoric. For example, the NZEF in 1990 described the ‘reality’ of unions as organisations controlled by power, prejudice, unpublished agendas and secret information, and bound by rules and inflexibility that inhibited better employment relationships (Dannin, 1995). They went on to say:

Employees display all the expressions of low self esteem, lethargy and hostility ...Innovation is suspect. Quality is the preserve of the quality control manager. Service means servitude. Going the extra step can be tantamount to betrayal of one’s colleagues....

(Cited in Dannin, 1995, p9)

As McAndrew and Hursthouse (1991: 9) commented, as a picture of reality among South Island employers they surveyed in the late 1980s, this portrayal by the NZEF was “arrant nonsense”.

What they were advocating was complete deregulation of the labour market – the removal of union rights, job security provisions, minimum conditions of employment, and specialist employment institutions. Their vision was one based on free market economics and libertarian philosophy, where the employment relationship would be a private contractual relationship between two parties for the buying and selling of labour, and where outside interference from third parties is seen as an erosion of individual freedom. As a number of commentators have noted, the campaign for reform (and the subsequent campaign to convince the public to keep the reforms) resembled a moral crusade “motivated by a quasi-religious zeal for, and belief in, economics and contract as the way to bring about the best results” (Dannin, 2001, p 1109).

The end result was the Employment Contracts Act which became law on 15 May 1991. While the changes introduced under the ECA by the new National Government in 1991 did not fully implement the employer agenda, they nonetheless could be characterised as “the most radical withdrawal of the state from labour market regulation in the developed world” (Bray and Neilson, 1996: 82). Moreover, the nature of the industrial relations discourse has permanently changed and this explains why the changes introduced by the new Labour-led coalition government that came to power in 1999 left intact a decentralised system of bargaining. While the ERA improved rights for collective bargaining at both workplace and multi-employer level, the impact on bargaining was negligible. By the mid-2000s less than one percent of the private sector was covered by a multi-employer agreement and the majority of employees were covered by individual contracts. It is no surprise that some union officials described the ERA as “the ECA with access rights for unions” or the “ECA with soft edges” (McLaughlin, 2010: 197). The Labour party was overly mindful of employer reaction, with the threat of a ‘capital strike’ mooted by employers. While the CTU played a key role in drawing up Labour’s industrial relations policy, in hindsight, officials admit that they aimed too low with the ERA: “we’ve used up quite a lot of political capital to get relatively moderate changes, though at the time it did not seem politically advisable to aim much higher”. They also acknowledged that it would be some time before they could go back for more major reforms because of the need for some stability and because their influence was limited because of the nature of the coalition government. Additionally, the Labour party had become less focussed on class issues and more focussed on other progressive issues.

At national level, relations between unions and employer associations thawed, and indeed improved significantly throughout the 2000s, supported by various voluntarist tripartite initiatives. Indeed, it was Business New Zealand, the successor organisation to the NZEF, which had blamed unions for NZ's poor productivity, who first approached the CTU about working together on improving workplace productivity. By 2007, the head of Business New Zealand and the head of the CTU even described themselves as having become close friends (AIRAANZ Conference 2007). However, while peak-level relationships were positive, there remained a significant ideological divide between the actors. This was evident when the CTU floated the idea of a return to some form of industry bargaining. They did so partly because the decentralised nature of bargaining was a drain on limited union resources, but also because in the context of New Zealand's poor productivity performance they saw a 'race to the bottom' in working conditions in a number of sectors. They argued that some form of industry or multi-employer bargaining would offer the potential to address the skills crisis by linking training to wages as part of an overall high-wage, high-productivity strategy (McLaughlin, 2009). The response of Business New Zealand in the lead up to the 2008 general election was to suggest that this would lead to the 'economic destruction' of the past and to lobby the main opposition party to put forward reforms to the ERA that would further limit union influence. As one union official noted, there was no acknowledgement that the context had changed and that both sides might be "more sophisticated" in their negotiations. The bargaining landscape had changed permanently, and for employers the framework laid down by the ECA was the new middle ground. As an official from Business New Zealand posited, the ECA "didn't favour employers, it didn't favour unions, it promoted neutrality.... Whereas the ERA tilts the pendulum way over the fulcrum". While the ERA provides unions with basic rights to negotiate enterprise collective agreements that would be considered normal in many other industrialised countries, for employers in New Zealand these were "way over the fulcrum". Thus, to borrow Culpepper's (2008) term, a new "common knowledge" was created among New Zealand employers. Since 2009 the National-led coalition has continued to liberalise the industrial relations landscape introducing further changes to make both multi-employer and enterprise collective bargaining more difficult, though the basic framework of the ERA remains in place.

Australia

The Australian system of industrial relations has undergone frequent and major change over the past three decades. This period has seen the use of quasi-corporatist arrangements to moderate wage outcomes, the shift towards a decentralised wages system, and the dismantling and subsequent restoration of collectivist and state-based institutions. A fierce ideological and political contest over the role of unions and state intervention largely explains these shifts. While Australia is widely considered to be a LME with a relatively flexible labour market (Appelbaum & Schmitt, 2013; Hall & Gingerich, 2009; Wailes et al., 2011), unions have successfully used their political relationship with the Labor Party and public support for a 'fair' industrial relations system to defend their role and maintain a weakened system of collectivist regulation. Consequently, wage determination is more coordinated and the institutionalised protections for workers are stronger in Australia than several other LMEs.

Australian unions played a responsible role in helping to achieve greater economic stability following problems with wage inflation during the 1970s and early 1980s, which arguably enhanced their long-term legitimacy. While uncoordinated bargaining had contributed to these earlier problems, the Labor government established a Prices and Incomes Accord with the Australian Council of Trade Unions in 1983, under which unions agreed to short-term

wage restraint (delivered through centralised indexation) in return for compulsory superannuation, universal health coverage and progressive taxation measures. Following a balance of payments crisis in 1985-86, the government and the ACTU agreed to shift to partial wages indexation, which began a steady movement towards a more decentralised system culminating in the introduction of enterprise bargaining in 1991 (Davis and Lansbury, 1998).

The leaders of the ACTU were able to use the Accord to exert considerable influence on the key economic and social policy decisions of the Hawke-Keating Labor government. In exchange for this influence, union leaders agreed to support the government's sweeping liberal economic reforms that aimed to improve Australia's international performance. In contrast to the experience in the UK and New Zealand, where hostile unions were seen as an impediment to economic reform, the Hawke-Keating government resolved Australia's stagflation crisis and liberalised the economy by cooperating with unions. In return, unions managed to negotiate considerable social protections benefits that helped to cushion Australian workers from the impact of these reforms.

Employer groups were not formally part of the Accord but the Australian Industry Group (AIG) (formerly known as the Metal Trades Industry Association), provided tacit support through its operation. During the early years of the Accord, associations representing other sections of the business community were 'largely content to work within it', according to Sheldon and Thornthwaite (1999: 179). However, the Business Council of Australia (BCA), representing large employers mainly in the services and commodities sectors, and the Australian Chamber of Commerce and Industry (ACCI) (formerly the Confederation of Australian Industry) representing large small and medium employers, 'felt confident that a turn to market-based industrial relations ... could deliver even more benefits than had been gained under the Accord' (Bell, 1997: 188).

While the BCA's advocacy for a more decentralised system of wage-setting was a catalyst for the introduction of enterprise-based collective bargaining, the AIG feared that this could lead to a return of the endemic problems of wage leapfrogging experienced during the 1970s (Sheldon and Thornthwaite, 1999). Sensing that the shift towards a decentralised system was inevitable, particularly given that Liberal Party (then in opposition) had vocally advocated such a move, the ACTU supported the introduction of enterprise bargaining on the proviso that a role for unions and a coordinated system of wage safety nets (through industry and occupational awards) was maintained. While this outcome was formally achieved through the Accord, the strong political relationship between the governing Labor Party and the ACTU was critical. According to Briggs, "unlike other nations where a decentralization of bargaining has occurred, it was the union movement which actually engineered the change" (2001: 27).

Australia's shift towards a liberal market model occurred with the formal agreement of the union movement during the Accord years. Unions saw the change in economic policy and market regulation as the inevitable outcome of a declining manufacturing sector, which had only survived under the protection of trade barriers, and the growth of internationally integrated services and commodity sectors. According to Bill Kelty, the Secretary of the ACTU during this period, unions used their relationship with the Labor Party to negotiate economic reforms that were consistent with the social democratic ideology of the labour movement: "We modernized the economy but we did it in a Labor way, a union way... We did open this nation up to the rest of the world, but we did it with national healthcare, with

national superannuation and the most effective minimum wage system in the world” (Kelty, 2012).

The Accord came to an end in 1996 with the election of the Liberal-National ‘Coalition’ government of John Howard. Howard’s statement that “the goals of meaningful reforms, more jobs and higher wages, cannot be achieved unless the union monopoly over the bargaining processes in our industrial relations system is dismantled” best captures his government’s philosophy (quoted in Cooper et al., 2009: 341). To this end, it secured the passage of the Workplace Relations Act soon after coming to power, which affirmed the shift towards enterprise bargaining ushered by the Accord, but sought to weaken the involvement of unions and industrial tribunals in this process. This was achieved by introducing provision for the use of individual contracts and promoting non-union enterprise bargaining. The Howard government’s policies were broadly supported by the BCA and the ACCI, which saw industrial relations reform as necessary for removing inefficiencies and improving the Australia’s international competitiveness, particularly the services and commodities sectors. The AIG representing the declining manufacturing sector was more muted in its support.

The Howard government’s Workplace Relations Act maintained many of the coordinated features of Australia’s industrial relations system. Although the status of occupational and industry awards were weakened in order to encourage more enterprise bargaining and provision for individual contracts was introduced, the award and industrial tribunal system remained prominent features of the employment relations system. And unions retained substantial capacity to be involved in the bargaining process, despite the limits on union industrial action and the prohibition on union preference (Cooper et al., 2009). The Coalition was forced to modify more extreme elements in order to secure the passage of the Workplace Relations Act through the Commonwealth Parliament. Its aim to decentralise and individualise the employment relationship more comprehensively were thwarted by centrist parties and independent parliamentarians controlling the Senate, which did not support the philosophy underpinning the Howard government’s legislation.

When the Coalition won a majority in both houses during the 2004 election, its more radical ‘Work Choices’ legislation could be implemented unencumbered by the views of other parties. Work Choices imposed major restrictions upon union activity and involvement in wage setting and workplace negotiations. Furthermore, for the first time it was permitted that individual contracts could undercut the minimum standards of awards (which were also weakened by the legislation) and the power of industrial tribunals was further eroded (Peetz and Bailey, 2010). These reforms weakened wage coordination and represented a serious threat to the position of unions within the industrial relations system. The ACTU responded by coordinating a campaign to mobilise electoral opposition to the Coalition and its Work Choices legislation at the 2007 election. The strategy, which relied upon a strong media campaign and local community organising in marginal (or swing) electorates, proved to be highly successful: an analysis of post-election polling shows the union campaign to be the decisive factor behind ALP’s defeat of the Coalition (Wilson and Spies-Butcher, 2011).

The Howard government’s intent in dismantling Australia’s industrial relations institutions and replacing them with a decentralised and individualised framework were fundamentally ideological (Cooper and Ellem, 2008; Hancock *et al.*, 2007). They were also misguided. According to Megalogenis (2012: 314–315): “The unstated but dominant reason for Work Choices was political: to break what remained of trade union power. But Howard was seeking something that the open economy had already achieved through reduced trade union coverage and increased job insecurity for all employees... Work Choices sought to solve a

weakness in the Australian economy that no longer existed. The last wages breakout had occurred in the early 1980s”.

Under the union movement’s influence, the Rudd-Gillard Labor governments (in office 2007-13) unwound many aspects of the Howard government’s industrial relations reforms. The Fair Work Act, which commenced operation in 2009, abolished individual contracts and contained numerous other provisions favourable to unions and workers. These included a stronger award system of industry and occupational-specific safety nets, the restoration of certain powers to the federal industrial tribunal, the creation of 10 National Employment Standards to set minimum conditions for all workers, the requirement that all enterprise agreements be ‘better off overall’ than awards, an obligation on the parties to bargain ‘in good faith’, a strengthened role for ‘bargaining agents’ in workplace negotiations and limited scope for multi-employer bargaining in low paid sectors (Cooper, 2010: 265-268).

Politics is fundamentally important for understanding how and why wage coordination has been strengthened to a moderate degree since the introduction of the Fair Work Act. The critical role of the union campaign in defeating the Howard government at the 2007 election significantly enhanced the union movement’s capacity to influence the Rudd-Gillard government’s industrial relations policies. This influence was especially strong under Prime Minister Julia Gillard (in office 2010-13), who aligned herself strongly with the social democratic philosophies of the union movement and had much closer ties with union leaders than Kevin Rudd (2007-10, 2013), who was much more ambivalent about the political influence of unions in the Labor Party and their institutionalised role within in the labour market.

Unions were unhappy that they could not convince the Rudd-Gillard government to remove restrictions on the contents of enterprise bargaining agreements and union rights to engage in industrial action. However, unions were content to continue working within a decentralised system as long as protections for collective representation and coordinated wage safety nets remained. According to one union leader, “from an economic point of view, I never thought an Accord-type structure ... was viable again, because it was founded upon the centralised wage fixing system. That was not coming back and we did not want it to come back” (personal interview, 2012). This may reflect a pragmatic acknowledgement that there was virtually no support in the business community for a return to a strongly coordinated wages system. But despite the urgings by the BCA and ACCI for the Fair Work Act to be scrapped in favour of a more decentralised and individualised system, the Coalition led by Tony Abbott elected in 2013 has promised that there will be no return of the Howard government’s highly unpopular Work Choices policies, which he has pledged are “dead, buried and cremated”. Political opposition to an individualised regulatory framework and broad ideological support for a ‘fair’ industrial relations system involving state-mandated collectivist protections has thus trumped the ‘rational’ interests of the dominant employer associations.

Despite the dramatic decline in union membership from above 50 per cent to 18 per cent, 45 per cent of Australian workers are covered by a collective agreement, and a further 16 per cent exclusively by an award. Thus, six out of every 10 Australian workers have their pay and conditions determined by instruments negotiated by unions, and all Australian employees enjoy access to a generous system of superannuation (tied directly to the wages system) to assist them in retirement. By most measures, average wealth is now notably higher in Australia than other LMEs such as the US and the UK, and income inequality has increased but not as substantially. While a large range of factors affects these outcomes, they are

strongly influenced by the processes of pay determination, which generally produce more favourable outcomes for workers if these processes are collectively regulated. The continued (tacit) incorporation of unions in award determination and in the enterprise bargaining process in Australia has allowed workers to gain generally more favourable outcomes in terms of wages and workplace conditions than in the US or the UK.

Ireland

Ireland's social partnership has been well documented and analysed, particularly through the lens of the social pacts literature. Ireland has been the focus of much comparative analysis largely because, as an LME, it did not possess the institutional mechanisms previously associated with corporatism, and its social partnership approach stood in stark contrast to the Thatcherite path taken by its closest neighbour, the United Kingdom. Additionally, it emerged in a period of acute economic crisis and was seen by many commentators as contributing to economic recovery and a sustained period of rapid economic growth. Its longevity over a 20 year period and eight agreements, through various business cycles and governments, led it to become, according to Roche (2012: x), "the international poster child of collaboration between employers, unions and government". Despite the collapse in the Irish economy and the concomitant demise of social partnership the Irish case still offers some interesting insights. Moreover, while Ireland has undergone a period of significant 'austerity' measures, the imprint of social partnership remains on wage bargaining in the public sector and in low-paid sectors, while there are indications from some quarters that national wage agreements in some form may yet reappear. This section examines just a few of the accounts of social partnership as they relate to the role of politics and ideology (for a more complete review of the various explanations of Irish social partnership see Roche, 2012).

There is a general consensus in the literature about the factors that led to the emergence of social partnership. Ireland was experiencing a severe financial and social crisis, with poor economic growth, unemployment reaching 19 percent, soaring social spending, debt to GDP levels of 125 percent and very high levels of industrial action. While centralised tripartite wage bargaining agreements were a feature of the 1970s, they had been abandoned in the face of significant wage drift, industrial conflict and poor economic performance. There was a return to decentralised wage bargaining, with the Fine Gael-Labour government attempting to set pay norms through its public sector agreements, as well as through publishing pay guidelines for the private sector, though these were largely ignored and the fiscal situation continued to deteriorate (O'Kelly, 2000; Roche, 2007). The nature of Irish politics is such that the two main political parties are neither left nor right, with both taking support from across the political spectrum. As a result they had tended to 'buy' electoral support and were less inclined to adopt radical policies that might alienate segments of their support base (Hardiman, 1987). Fianna Fail returned to power as a minority government in 1987, but dealing with the acute fiscal crisis without alienating large parts of its electoral base, nor incurring the levels of industrial action and protest from the trade unions that had dogged the previous administration, meant a negotiated solution made political sense (Hardiman, 2003).

For the trade unions, the motivation for a return to centralised bargaining was threefold: membership levels were dropping significantly, primarily as a result of the increase in unemployment levels; their members were experiencing decreases in real income; and they were concerned about political marginalisation given what had happened to the labour movement in the UK under the Thatcher governments. While the two major parties in Ireland were unlikely to go down this path on their own given the nature of Irish politics, Fine Gael

had flagged up liberal economic policies as a possibility, and the recent electoral success of a newly formed liberal party, the Progressive Democrats, meant that the unions could not be certain Ireland would not go the same way (Roche, 2007). In signing up for the initial partnership agreement, the trade unions were signing up for significant cuts in government spending, which would impact on jobs for their members in the public sector. However, as one union official noted: “We went for the social partnership model to shelter from the storm.... It certainly wasn’t a time when we felt we could rely on our industrial muscle to protect labour standards”.

The one group that was less certain about joining the process was employers, and they are also the one group that has featured least in the many different analyses of Irish social partnership. Given the failure of centralised pay deals in the 1970s, they were apprehensive about local-level wage drift and the Government’s political will to follow through with spending cuts, and they publicly stated that decentralised bargaining was the way forward. The common explanation given for their change of tune is that the recent period of free wage bargaining had not brought about wage moderation, improved competitiveness or reduced industrial conflict, and they were essentially “dragged into the deal” by the Taoiseach (Prime Minister) at the time, Charles Haughey (Hardiman, 2002: 9-10; Roche, 2007). For Baccaro and Lim (2007), they were able to be cajoled because they came from a position of bargaining strength as they needed the agreement least of all, and thus they argue that the first agreement largely reflected their agenda. Given there had been no noticeable improvement in fortunes under decentralised bargaining, and in fact, Ireland wage competitiveness had worsened in this period, the argument of a position of strength seems incomplete. Teague and Donaghey (2004) suggest employers had little choice in that the idea of national agreements had gathered some momentum and if they were not to participate, this would be perceived by the public as undermining efforts to address a national crisis. Culpepper (2008) adopts a more ideational approach to employer involvement, arguing that employers changed their material preferences through a process of ‘common knowledge’ creation. Through the National Economic and Social Council (NESC) a shared analysis of the economic crisis was developed with an acceptance by unions for the need for wage moderation. While centralised wage bargaining was not part of the NESC recommendations, employers were willing to engage in such a process, despite the failures of the 1970s and early 1980s, because they had eventually become convinced that the trade unions shared their economic analysis and would hold their commitments on wage restraint. They now saw centralised wage bargaining as in their economic interests. There are, however, a number of limitations to Culpepper’s thesis. First, he doesn’t adequately explain how employers became convinced of the unions’ commitment to wage restraint when they did, as he notes that eight months after the release of the NESC report employers were still rejecting calls for centralised wage bargaining. Second, and as noted earlier, his argument assumes rational interest and ignores ideology. It cannot adequately explain why employers did not advocate for Thatcherite policies that placed curbs on union power as a way of achieving wage restraint in a decentralised bargaining context, particularly given the rise of the PDs. In a comparative context, the behaviour of employers in engaging in social partnership is an interesting puzzle. The most convincing explanation is that employers felt compelled to go along with centralised collective bargaining following cajoling by the Taoiseach and public pressure, despite being opposed to it, which would point to an important role for politics.

Explanations on the institutionalisation of social partnership and what it achieved are more diverse. Hardiman (2002) argues there was an element of luck in that the agreements coincided with an upturn in the international economy. The resultant drop in inflation led to a significant increase in real disposable income, which then paved the way for the negotiation

of subsequent agreements. The continuation of the process was underpinned by the development of an increasingly complex array of institutional structures and conflict resolution mechanisms (Roche, 2007), as well as an on-going shared discourse, maintained through the NESC and the various networks, and about the need to maintain competitiveness (Regan, 2010). Many of the social partners also point to the influence of Taoiseach Bertie Ahern in getting the parties through difficult negotiations in several of the partnership agreements. Most importantly, the agreements delivered benefits to all the actors and thus a key feature of its institutionalisation over the 20 year period was ongoing compensatory political exchange (Roche, 2007).

For some, social partnership facilitated the neo-liberalisation of the economy and labour market. Two Irish academics, Allen (2000, 2003) and O'Hearn (1998, 2003) have long argued this, pointing to a shift in the distribution in income from labour to capital, a decrease in social spending as a proportion of GDP under social partnership, a regime of tax cuts that favoured the wealthy, a removal of controls on land, rents, profits and house prices, but not wages, and growing inequality. The real beneficiaries of social partnership they argued were the owners of capital. More recently, in the wake of social partnership's demise, others have got on the neo-liberal critique bandwagon. McDonough and Dundon (2010) argue that Ireland under social partnership was simply a local variation on global neo-liberalism and that, while social partnership "shielded workers from the worst excesses of global neoliberalism" (p553), it led to economic liberalisation, wage restraint, a lack of legal supports for union recognition and acceptance of a non-union model of industrial relations at workplace level, a reduction in union density, a reduced welfare state, a minimalist approach to labour standards and greater inequality. Baccaro and Howell (2012) point to a similar range of indicators in arguing that Ireland underwent 'institutional conversion' rather than 'institutional deregulation' in that social partnership was primarily about wage restraint in exchange for tax cuts, while facilitating the state to bring about neoliberal reform through a "beggar-thy-neighbour" strategy.

Roche (2007, 2012) has long rejected the neo-liberal case for social partnership. While he acknowledges some of the points from this perspective are true, overall he sees the period of Irish social partnership as substantively different to neo-liberalism. He draws on the concept of 'competitive corporatism' (outlined earlier) to argue that this provides a more realistic account of social partnership, where economic competitiveness was given priority, but unions were able to exert influence, and while "solidaristic goals were muted" (2007: 415) social outcomes were not ignored. He argues that conclusions on income inequality will depend on figures chosen, and points to data by Nolan and Smeeding (2005) which shows that the D20/D80 ratio was largely unchanged between the 1980s and 2005. He also points to the 'social turn' in Irish social partnership from 2004 onwards, where much greater emphasis was placed on social outcomes (Roche, 2012). While he puts this down to a collapse of electoral support for Fianna Fail combined with increasing public dissatisfaction with levels of inequality, some of those within social partnership point to a more influential role for the Social and Community Pillar in promoting social objectives (McLaughlin, 2006). Other data also suggests that social partnership played a role in addressing inequality. While the percentage of those in relative poverty increased from 15.6% in 1994 to 19.4% in 2004, this had then decreased to 13.9% by 2008. A recent analysis by Madden (2013) finds that the lowest 25% of the income distribution gained the most during the 2003-2005 period. He also points out that while the gini-coefficient remained fairly constant before the crisis, the Atkinson measure of inequality, which places greater weight on the lower part of the distribution, decreased during the 2000s. A number of policies introduced through social partnership agreements contributed to this, including increasing social welfare rates through

the 2000s, which reached 30% of the gross average industrial wage, and tax credits for low-paid workers, which were increased to the point where those on the minimum wage were taken out of the tax net. Additionally, a National Minimum Wage was introduced in 2000 at 50% of the median wage, to cover those workers who not covered by the system of Joint Labour Committees (collective bargaining agreements covering low-paid sectors), and despite employer lobbying to have the JLCs abolished at this point, they were retained. Unions also claim responsibility through the partnership for a legislative ban on zero hour contracts, for premium pay rates for Sunday working, and for the setting up of the National Employment Relations Authority (NERA) with a concomitant increase in the number of inspectors and a more robust labour standards inspection regime.

This is not to argue that much more could or should not have been done, but in comparison to the neo-liberal reforms in the UK and New Zealand, union officials in Ireland argue that social partnership enabled low paid workers to get pay increases they would not have achieved in a decentralised bargaining context and prevented income inequality widening substantially further. Moreover, given that Ireland had attracted a large number of high-tech and information technology MNCs who employ educated and highly-skilled, and highly-paid, workers, that there has not been greater wage inequality in Ireland during the period is surprising. It also does not deny the inherent paradoxes and tensions within social partnership, most notably the increased influence of trade unions at the national level while being increasingly marginalised at workplace level as a result of the increasing ideological divide between employers and unions (McLaughlin, 2013). Nor does it deny the extent of inequality in Ireland, with inequality levels comparable to the UK and 21% of its workforce low-paid (earning less than two-thirds of the median).

Nonetheless, social partnership did provide the forum for negotiation around a number of divisive issues. For example, while unions were unable to get union recognition law, primarily so as not to frighten off US MNCs, a partial legislative solution, known as the 'right to bargain', was negotiated, which allowed the Labour Court to make binding determinations in non-union firms where collective bargaining does not take place. While this was widely criticised as being ineffective, and was eventually undermined in a Supreme Court ruling involving Ryanair, a recent analysis suggested that the legislation was moderately effective in non-unionised firms in achieving improvements in pay and conditions and "in some respects...a superior institutional mechanisms to a statutory recognition regime" (Cullinane and Dobbins, 2014: 52). Finally, while some advocates of the neo-liberal thesis on social partnership point to the decline of union density as proof (decreasing from 53 percent in 1987 to 33 percent in 2009 when partnership collapsed). However, in a comparative perspective, density rates of over 30 percent are high, and the decline can be attributed to a range of factors including the significant growth in service and high tech sectors, and a more highly educated workforce as well as anti-union employer ideology (Geary, 2007).

Since the collapse of social partnership, the Fine Gael-Labour coalition has retained a number of key aspects of coordinated wage bargaining. Unions have been engaged in negotiating over wage cuts and reforms in the public sector in exchange for job protection measures. The JLCs were ruled to be unconstitutional by a Supreme Court ruling following a challenge by employers (O'Sullivan & Royle, 2014) and these are now in the process of being reintroduced, albeit in a less encompassing form, as part of a commitment in the Programme for Government. Also in the Programme was a commitment to improve employee access to collective bargaining, though as yet it is not clear what form that might take. As well as being legacies of social partnership (O'Sullivan & Royle, 2014), these policy initiatives were clearly driven by the Labour party with its close links to the trade unions movement. While

we are not suggesting that these mechanisms will significantly improve outcomes for workers, their continued presence provides some protection and is a base from which the unions can negotiate institutional improvements from future governments. In recent months, talk of pay rises in the private sector and reversing pay cuts in the public sector has led to suggestions by some media commentators of a return at some point to some form of national wage agreement. This might suggest that while social partnership received significant media opprobrium for its supposed role in the crisis, it may well have institutionalised itself to such an extent that its return is not beyond the realms of possibility as Ireland emerges from the period of deep economic recession. Such mechanisms provide legitimacy for union involvement, albeit limited, which does not exist in many other LMEs.

United Kingdom

Comparative scholars consider the United Kingdom to be an exemplary LME, with a system of industrial relations characterised by liberal coordination to a degree greater than any other state aside from the USA (Hall & Gingerich, 2009: 458-459). But such depictions disguise the extent of change in UK industrial relations during recent decades. Goodin (2003: 207) claims that it was only with the election of the Margaret Thatcher's Conservative party in 1979 that the UK became "anything like a pure case of an LME". In the face of strong union opposition, the Conservative government of Thatcher and her successor John Major (in office 1979-97) introduced neo-liberal economic policies that extended to the labour market. However, prior to Thatcher's election, there had been state coordination and extensive industry-wide bargaining in the UK "and it is certainly arguable that it was moving along a path toward a more coordinated, even planned, economy in the 1970s", according to Howell (2003: 119). As Howell (citing Coates, 2000) explains:

"In contrast to the argument in Varieties of Capitalism that firms either adapt their business strategies to the institutional arrangements they face or exit by moving to a country with a better institutional fit for their type of economic activity, evidence from the 1970s and 1980s shows that British firms sought aggressively to change the institutions they faced, particularly in the sphere of industrial relations... The purposeful strategic actions of employers and the Thatcherite state substantially transformed the traditional mixed political economy of Britain in the direction of a liberal market economy" (Howell, 2003: 119).

Under 'New Labour' led by Tony Blair and Gordon Brown (in office 1997-2010), unions had some of their bargaining rights restored and were granted a greater role in the provision of workplace training, while various protections were introduced for individual workers. However, these changes did not result in the strengthening of non-market coordination in the labour market to any significant degree. There has been relatively minimal change to industrial relations policy under the coalition government of Conservative Prime Minister David Cameron. As the following section argues, ideological and political factors are important for understanding the dismantling of collectivist and tripartite institutions by the Thatcher-Major government and why the Blair-Brown government refused to accede to union demands for non-market coordination to be strengthened.

From 1945 until 1980, collective instruments in the form of single and multi-employer collective agreements and wage council determination regulated wages and working conditions for a majority of UK workers. Industry-wide and national bargaining had been encouraged since 1940 within a 'voluntarist' system that allowed unions and employers to jointly regulate the terms and conditions of employment without interference from the state. From the late 1950s, however, 'two systems' of industrial relations began to emerge: a

largely unacknowledged 'informal system' of workplace bargaining whereby shop stewards and managers negotiated outcomes that exceeded the terms of the 'formal system' of industry-wide agreements negotiated between union officials and employer associations. The failure to acknowledge and properly respond to a growing dominance of the informal system contributed to bargaining outcomes that began increasingly uncoordinated.

Uncoordinated bargaining compounded problems of high unemployment and high inflation that had been sparked by the oil shocks of the early 1970s, prompting unions to seek wage increases in line with price increases. The Wilson and Callaghan Labour governments subsequently developed an incomes policy called the Social Contract with the Trades Union Congress (TUC) to bring these pressures under control. This involved unions agreeing to wage moderation in exchange for various collective and individual rights. The Social Contract did not fulfil its objectives because the TUC's affiliates were unable to control shop stewards from negotiating wage outcomes with local management in excess of national benchmarks. Incomes policy collapsed in spectacular fashion in the 'winter of discontent' of 1978-79, when public service workers across the country went on strike to recover their relative pay position that they had lost under the pay restraint rules of the Social Contract, which the private sector and nationalised industries had ignored (Maguire, 1996).

Occurring shortly before the 1979 election, the winter of discontent contributed to the fall of the Callaghan government and gave the incoming Thatcher government the ammunition to radically reform the industrial relations system and the management of the UK economy more broadly. The Keynesian macroeconomic demand management policies that had existed since the 1940s was dismantled in favour of a monetarist framework aimed at containing inflation. A new competition policy was introduced, government-owned utilities and services were privatised and industries hitherto protected from market competition were deregulated. Tripartite institutions that governed industry training and minimum wages for workers in low-paid industries were abolished. The Thatcher-Major government was undeterred by significant protest that these reforms prompted from the union movement, which was 'virtually ignored by the government', despite the longstanding arrangement of Conservative and Labour administration engaging the TUC in formal dialogue on national affairs (Taylor, 1993: 265).

This period also saw deliberate attempts by Conservative governments to dismantle union power at the workplace. Secondary industrial action and compulsory union membership arrangements were banned and secret ballot procedures before industrial action could proceed were introduced. This undermined the ability of unions to regulate standards through national and industry-wide bargaining agreements, which were gradually broken up. Laws obliging government contractors to comply with the terms of public sector collective agreements were also repealed. These changes accorded with the introduction of the 'single employer' model of employment law that confined the activities of unions to the enterprise. Unions struggled to maintain influence in many industries and workplaces as a consequence of these significant regulatory changes (Brown, 1993; Brown et al., 2009).

The defeat of union control in the nationalised coal mining industry was emblematic of the success with which organised labour was crippled, both politically and industrially. The Conservative government's success in the miners' strike of 1984-85, and the defeat of the print workers and journalists' unions by News International during the Wapping dispute of 1986, heralded the demise of joint determination of working arrangements in favour of managerial prerogative in many industries over which unions had maintained significant control. These reforms had a notable impact on wage determination, with the proportion of

workers covered by collective bargaining and wage council determinations falling by almost half during this period, from around 70 per cent in 1980 to 40 per cent in 1998, and to 27 per cent in the private sector. Collective bargaining coverage also declined in the public sector, albeit at a much slower rate (Brown, 2010: 254).

Despite the election of a government with more benign attitudes towards unions in 1997, the nature of labour market coordination essentially remained unchanged. New Labour refused to countenance the union movement's requests to repeal the Conservatives' employment reforms, notably the restrictions on multi-employer collective bargaining, secondary industrial action and compulsory union membership, which limited the capacity of unions to extend wage gains across multiple workplaces (Davies and Freedland, 2007). The Blair-Brown government also rebuked the TUC's call for a 'social partnership' model involving unions and employers in the making of government policy. This model "no longer had any relevance", according to Brown (Wickham-Jones, 2000: 2). Tony Blair told unions that they would not be given a "special or privileged place within the Labour Party"; they were seen as the relic of an antiquated model of employment relations, and a potential hindrance on the UK's shift towards a modern and internationalised economy (Taylor, 2001: 245).

New Labour governments were willing to accept some role for collective representation at the workplace, which gave unions greater capacity to represent workers, but not to regulate wages and conditions. New representation rights for workers to be accompanied during disciplinary and grievance hearings and to information and consultation over various workplace matters were introduced. Unions were given a stronger and formalised role in the delivery of workplace training. Moreover, recognition laws modelled on the US Wagner Act were introduced, which led to a sharp growth in both statutory and voluntary recognition agreements in the three years immediately after these laws were passed (Ludlam and Taylor, 2003: 736), but a notable decline thereafter. New Labour was more supportive of laws to strengthen the rights of individual workers. A range of new employment rights were incorporated from European Union law, including working time regulation, parental leave and greater protections for part-time and fixed-contract workers. The introduction of a National Minimum Wage in 1999 was a reform that the union movement had championed since the late 1980s. The Low Pay Commission, the tripartite body established to advise the government on the minimum wage rate, was one of the few bodies created by New Labour consistent with the social partnership model that the TUC advocated.

These changes had the effect of arresting the sharp rise that occurred in the 1980s and 1990s in the proportion of workers earning below the low-paid threshold. However, union membership and collective bargaining continued to decline under the Blair-Brown government, albeit at a much slower pace than during the period of Conservative rule. Nevertheless, while these trends were particularly acute in the private sector, the majority of the public sector continue to have their pay and conditions regulated by a collective agreement throughout New Labour's time in office, and in the years since.

Political ideology and party politics are important factors explaining these developments. The neoliberal ideological views of Thatcher and her supporters and the determination of strategically important employers were the main catalysts for the paradigm shift in UK economic and industrial relations policy between 1979 and 1997 (Hall, 1993). However, the laissez-faire tradition of UK capitalism enabled Conservative governments to assert the need to restrict union activity in the name of protecting the sanctity of the free markets. Unions had managed to gain an institutionalised position in the industrial relations system between the 1940s and the 1970s, but this was in the context of the system of 'collective laissez-faire',

whereby employers would negotiate with unions on a voluntary basis and without any legal obligations to maintain bargaining arrangements.

The majoritarian nature of Westminster democracy and a model of policy-making dominated by a select number of key central ministries and senior ministers typically results in British governments with power akin to 'elected dictatorships' (Burch and Holliday, 2004: 2-3). As well as allowing governments to pass legislation with minimal constraint or need to compromise with other parties, it also reduces their need to involve organised interests in the policymaking process for the purposes of sustaining broader community support for reform (Greenwood and Traxler, 2007: 323-324). This system allowed the Thatcher-Major government to pass legislation weakening the power of unions with little need to regard the opposing views of other political parties or the labour movement.

Large parliamentary majorities would have allowed New Labour to reverse the industrial relations reforms of its Conservative predecessor and strengthened non-market coordination in the labour market. But despite the longstanding formal relationship between the political and industrial arms of the labour movement, the Blair-Brown government saw unions as an electoral liability. Blair associated organised labour with the economic problems of the 1970s, a legacy that had supposedly hampered the party's electoral prospects for a generation, and believed unions to be an irrelevant force in the context of Britain's shift towards a more liberal and service-based economy. Moreover, distancing itself from the 'Old Labour' principles of tax-and-spend economic policies and collective labour market regulations was a defining element of the New Labour project, which while supporting the strengthening of the social safety net accepted many of the free market tenets of Thatcherism. In the words of one senior TUC official, "there was a neoliberal consensus which the Labour government was part of and unions weren't very successful in shifting them away from it" (personal interview, 2011). Rather than relying on its longstanding institutional relationship with the union movement, the Blair-Brown government went to great length to enlist the support of business groups, both for policy development and for fundraising purposes (Taylor, 2007). The Confederation of British Industry had a more favourable relationship with the Blair government than any other organised interest, including unions, which may have influenced New Labour's reluctance to change industrial relations policy to any significant degree (Grant, 2005: 411-418). New Labour's approach thus reflected an electoral calculation that unions were an electoral liability, and ideological view that their involvement was an impediment to the efficient operation of the labour market.

Conclusion

Conclusion

Using the typologies of the varieties of capitalism framework, New Zealand, Australia, Ireland and the United Kingdom are all liberal market economies. All four have moved towards a model of employment relations regulation focused on the enterprise as the main venue for determining wages and conditions, with state-mandated safety nets gradually replacing unions as the main institution for ensuring that workers are given a basic standard of protection at work. However, in contrast to the proponents of the liberal convergence thesis, this paper has argued that significant institutional differences remain between these states and distinct forms of non-market coordination persists: the award safety nets in Australia, the residual effects of 20 years of social partnership in Ireland as well as the pending re-institution of the JLCs, and collective bargaining remains the main mechanism

for regulating the wages and conditions of public sector employees in the UK, Ireland and New Zealand.

Our argument is that politics and ideological factors play a more significant role than has hitherto been acknowledged in the literature and are important for understanding the differences that exist between the four liberal market economies and why certain elements of non-market coordination remain. In New Zealand both Labour and National were captured by new right ideology in the 1980s. While Labour left the labour market largely untouched, National party policy was influenced by key employer groups in the lead up to the 1990 election who had become seduced by the individual libertarian ideas of Richard Epstein. Comments by the Minister of Labour in introducing the Employment Contracts Act could have been lifted straight out of an Epstein manual. The ECA not only dismantled centralised collective bargaining it also undermined collectivism, and led to a change in understanding among the average NZ employer about the nature of the employment relationship. As a result, unions endured a long period of isolation throughout the 1990s. In this context, the changes instigated by Labour in 2000 seemed radical at the time but in hindsight were very mild, and the unions used up significant political capital for little gain. Given the fragile nature of coalition governments within the 2000s and the fact the labour issues were of less importance to many Labour ministers, no further significant changes were made during the 9 year period that Labour was in charge.

In Australia, John Howard's determination to weaken unions was also motivated by Thatcherite ideology. But on several occasions he failed to convince the public – either at the ballot box or through the independent and minor party parliamentarians that held the balance of power – that his government's reforms would not compromise the strongly supported notion of fairness that had been central to Australian industrial relations legacy. Unions have thus played a constructive role during the periods of Labor governments, as demonstrated by the Accord, and have inflicted political damage on Coalition governments that have sought to weaken their position in the labour market, as shown in their successful efforts to defeat the Howard government at the 2007 election. The capacity of unions to develop successful political strategies is central to explaining the institutional role they have managed to secure within the industrial relations system, which despite declining membership has allowed them to successfully defend certain collective labour market protections.

In Ireland, the role of the Taoiseach and the nature of the two main Irish political parties played a central in bringing employers into social partnership in a period of economic crisis. Following an upturn in the international economy, this led to a long, stable period of coordinated tripartite wage bargaining. While there were inherent contradictions, most notably the growth of anti-union employer ideology at workplace level and a lack of union recognition rights, unions maintained some influence over policy, albeit within a model based on competitiveness. While social partnership collapsed in the wake of the worst financial crisis in Ireland's history, and unions endured a period away from the corridors of government ministers, through their close ties with the Labour party they have ensured that the JLCs and the 'right to bargain' have remained on the agenda, and it is not beyond the realms of possibility that some form of tripartite bargaining will return.

Political factors, especially the failure of the Social Contract in the 1970s and its lasting effects on the political landscape, are important in explaining the definitive shift in the UK's system of industrial relations under the Thatcher government, and why Labour governments have not seriously contemplated restoring the position of collective institutions within the labour market. The ideological determination of Thatcher and her supporters is central for

explaining the Conservative government's determination to cripple the influence of unions in UK industrial relations and in the public sphere more broadly. The philosophical support of the New Labour project for the Thatcher-Major economic reforms, which can also be attributed to electoral calculations, explains why the Blair-Brown government did not seek to reverse the industrial relations reforms of its predecessors.

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