

Labour Market Rigidities, Institutional Impediments and Managerial Constraints: Some Reflections on the Recent Experience of Macro-political Bargaining in Ireland

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Abstract: It has become almost an accepted axiom within contemporary political science that macro-political forms of bargaining are in irreversible decline. Such institutionalised forms of bargaining are now perceived as inflexible and rigid, constraining the adaptive response of business in volatile market conditions. Moreover, it is argued, that if the levels of economic growth enjoyed during the post-war period are to be sustained it is essential that we jettison such forms of bargaining. This paper challenges this view at both an empirical and theoretical level. It argues that an examination of recent macro-political bargaining agreements in Ireland indicates that rather than acting as a constraint upon they have assisted management in its introduction of flexible work practices and new forms of technology.

I INTRODUCTION

It has become increasingly fashionable in political science to question the efficacy of macro-political forms of bargaining. Streeck (1992), Goldthorpe (1984), Lash and Urry (1987) and Gobeyn (1993) to name but a few, have all expressed reservations about the compatibility of macro-political bargaining arrangements and the prevailing global structures of capitalism. For the New Right, rigidities in the labour market are the manifestation of excessive trade union influence in the style of political decision making associated largely

*The author would like to take this opportunity to thank the Social Science Research Centre, University College Galway for the financial support to undertake research on this topic. The author would also like to thank Chris Whelan, Chris Curtin, Tom Boylan, Tony Varley and three anonymous referees for their comments on earlier drafts of this paper.

with the "corporatist era". A rise in state intervention and a corresponding increase in welfare commitments were deemed to have imposed an unacceptable burden upon private sector enterprise.

Appraisals from a wide variety of political commentators, then, have argued that capitalism has moved into a new, dynamic phase in which the flexibility of productive systems, personnel and organisational strategy is paramount. Business, it is argued, can no longer sustain the level of economic growth upon which both the welfare state and trade union influence upon public policy were predicated. The explosion in social and political rights which accompanied such bargaining both increased rigidities in the labour market and imposed institutional impediments to economic growth. Put simply, macro-political bargaining procedures are viewed as increasingly anachronistic structures within an era of flexible specialisation.¹

The real problem with contemporary reviews of such developments is not just that they tend to over-emphasise the level of rigidity within macro-political bargaining arrangements but that in doing so they ignore the extent to which such agreements developed as responses to economic and political crises. It is not simply a question of being misled by the rhetorical assurances of Thatcherism, Reaganism or Kohlism. Rather, contemporary political commentators appear to have been seduced by neo-conservative interpretations of alleged administrative failure; that the real problem facing west European capitalism has been an explosion in the institutional impediments to economic growth. This neo-conservative critique rests on a series of critical postures informed by a succession of disappointments with the political and economic developments of the 1970s which failed to conform to what were essentially affirmative images of western industrial societies (Habermas, 1989). As Habermas has noted, a surge in popular aspirations provided the spur for a dramatic increase in state intervention and exposed the limitations of the Keynesian welfare state. Not surprisingly, the central feature of this neo-conservative critique has been the call for a reduction in state intervention and a corresponding increase in the role of the free market (Habermas, 1989).

1. The term flexible specialisation has emerged as an umbrella concept encompassing a wide range of processes within contemporary capitalism. For those such as Piore and Sabel (1984) the mass production techniques of the long post-war boom have been replaced by a new paradigm in which flexibility in production and consumption becomes axiomatic. The concept has become extremely contentious. In general terms, however, the components of this new paradigm include changes in both product and labour markets, new forms of flexibility in the workforce (both numerical and functional), product diversification and the emergence of smaller production units operating for niche markets. For alternative views on what are the main features of this new, emerging era see Hirst and Zeitlin (1991), Jessop (1990). For a critical discussion of this concept see A. Pollert (1988); R. Hyman (1988); Clarke (1988); Warde (1994).

This paper challenges this political orthodoxy on two counts. First, it argues that the perspective shared by Goldthorpe, Streeck, Lash and Urry is flawed by an inclination to view macro-political forms of bargaining as inherently rigid. There is a discernible tendency to portray sectoral or decentralised forms of negotiation in a more favourable light, as if there is a natural complementarity between such forms of negotiation and the new, emerging structures of capitalism. The contention, here, is that this approach assumes a priori that such forms of negotiation are somehow better suited to the current "needs" of capital. Second, that such a perspective neglects consideration of the complexity of the managerial function and is inclined to conflate the interests of individual businesses with business in general or, alternatively, to restrict the parameters of the managerial function simply to the issue of pay. The alternative argument forwarded here is that, in periods of economic crisis, the considerations of management extend beyond the issue of pay to include deliberations about the introduction of new working practices and new technology. Thus, in stark contrast to the position held by Goldthorpe, Streeck, Lash and Urry, this paper suggests that an empirical evaluation of recent developments in Ireland indicates that macro-political bargaining structures are far from inherently rigid and, more significantly, that they have been an invaluable element in managements' attempt to transform working practices and introduce new technology.²

This paper is divided into the following sections. Section II examines the contributions made by Goldthorpe, Streeck, Lash and Urry. While it would be misleading not to acknowledge the divergent theoretical concerns of these authors this section nevertheless argues that, upon the issue of macro-political bargaining, they remain united in the firm belief that such agreements have become increasingly incompatible with the prevailing structures of capitalism.³ As a prelude to a discussion of macro-political bargaining in

2. It would be plausible to suggest that Ireland is simply an exceptional case. However, there are a number of features of this case study which make it a good example to analyse the allegedly inherent rigidities of macro-political bargaining structures. As a small, open economy located on the periphery of western Europe the need to respond quickly to changes in international markets is particularly pressing. Rigidities which emerge as a result of such bargaining would therefore presumably compound the perceived economic costs of peripheral location and relative underdevelopment.

3. Each of the approaches outlined has its own particular nuance. Lash and Urry (1987), for example, view recent changes in terms of a shift from "organised to disorganised capitalism". Streeck (1992) on the other hand, influenced by his work on Germany, prefers to view changes in productive relations in terms of the move towards Diversified Quality Production. Finally, Goldthorpe (1984) opts for the concept of flexible specialisation. While there are differences in their respective positions they are all concerned with the relationship between changes in productive relations and political representation; the transformation of work practices and employment status and the impact of new technology.

Ireland. Section III examines a number of critical views on the wider issues of public policy. Section IV presents empirical data which suggest that the rigidities identified by Goldthorpe, Streeck, Lash and Urry are not an inherent feature of macro-political bargaining and that, far from being a constraint upon management, macro-political bargaining agreements have been an important factor in management's attempt to both restructure working practices and introduce new technology in Ireland.

II RIGIDITY AND FLEXIBILITY IN MACRO-POLITICAL BARGAINING

Goldthorpe's analytical distinction between corporatist and dualist tendencies in western Europe provides a useful starting point for conceptualising the problematical status of corporatist institutional arrangements (Goldthorpe, 1984). Goldthorpe's work delineates two types of institutional practices or tendencies which form part of the state's response to crisis. Within his theoretical schema, corporatist arrangements refer to institutional developments designed to include major interests in both the formation and implementation of policy. By contrast, the term dualism is applied to institutional arrangements which seek deliberately to extend the influence of market forces (Goldthorpe, 1984, p. 328).

Goldthorpe argues that the distinction between corporatist/dualist tendencies reflect the observable institutional developments which have underpinned state policies since the mid-seventies. Essentially, a corporatist tendency involves direct negotiations or concertation with the major economic interest groups in society and assumes a trade off between wage restraint (stability) in exchange for an influence on public policy. For Goldthorpe, such moves are an *inclusionary* response to the problems of economic management. By contrast, dualist tendencies display institutional developments which deliberately *exclude* interest groups from the policy process. They do not entail necessarily any direct attack upon organised interests, but seek only the enlargement of specific areas of the economy within which market forces and "associated relations of authority and control are able to operate more freely" (Goldthorpe, 1984, p. 329). In Goldthorpe's opinion such moves fit comfortably with the policy orientations associated largely with the New Right where the accent is upon establishing the conditions in which entrepreneurs can enjoy a greater degree of autonomy. In contrast to corporatist initiatives, such moves assume a reduction in government responsibility for maintaining a particular level of economic activity (Goldthorpe, 1984, p. 338).

In a similar fashion, Streeck has argued that while moderation in working class wage demand under corporatist agreements was beneficial to capital, such institutional forms of adaptation are now increasingly perceived as

inflexible, constraining the adaptive response of business to market contingencies. Streeck contends that in such a context organised capital should be seen as one of the primary forces behind the on-going phase of corporatist decline (Streeck, 1991). For Streeck, the decay of national corporatisms can be attributed to a number of domestic developments; a qualitative change in both economic and social structures which have undermined the structural and cultural foundations of corporatism (Streeck, 1992, p. 212).⁴ Neo-corporatism, Streeck suggests, assumed an underlying social structure which could be presented in terms of two large producer classes, capital and labour. However, by the 1970s it had become clear that the alliance between social democracy and the union movement was being undermined by the emergence of new issues such as gender and the environment. Associated with such developments has been an increase in the volatility and instability of markets which has forced firms to increase the flexibility of their product range, technology and social forms of organisation (Streeck, 1992, p. 213). In particular, the introduction of micro-chip technology required the active consent of workers to end rigid job demarcation. Not surprisingly, Streeck argues that such changes have also questioned the contemporary relevance of interest associations in macro-level political bargaining. Thus, he states that:

In the new social and market environment, negotiations aimed at establishing standard solutions for the regulation of the employment relationship appear of decreasing relevance, and at times may be counter productive, when what is demanded are policies tailored to improving the productivity and international competitiveness of specific sectors and individual enterprises (Streeck, 1992, p. 213).

In other words, for both Goldthorpe and Streeck, macro-political bargaining arrangements impose rigid, uniform standards on business which have become unacceptable in a period in which a flexible response in product range, technology and social organisation is essential.⁵

4. For Streeck, the important point here is that "some sort of effective Keynesian expansionist capacity seems indispensable for the kind of corporatist concertation and social contract bargaining that was to stabilise non-American capitalisms of the 1970s. As much as these systems may otherwise have differed, under the rules of corporatist bargaining a state that cannot with any reasonable prospect of success promise to apply its fiscal and monetary tools to alleviate unemployment cannot possibly hope to gain concessions from unions or to influence settlements between unions and employers by, for example, offering to improve the terms of the bargain through corresponding economic policy" (Streeck, 1992, p. 211).

5. For Gobeyn, it is possible to identify a further four domestic and international economic factors which demand a more "capitalist oriented" explanation of the decline of macro-political bargaining structures: the entrenchment of high levels of structural unemployment in those sectors of the economy which had high levels of trade union density; the increased mobility of capital; reductions in tariffs and international barriers and, finally, the expansion of capitalist

In a similar vein, Lash and Urry argue that corporatism was essentially a national project, "a matter for compromise between social classes in very much a national context of resource distribution" (Lash and Urry, 1987, p. 233). Moreover, they maintain that the changes which have taken place at an international level have led to the dislocation of national level economies, making the assessments of what are "appropriate sacrifices in the national interest much more difficult to determine and to justify" (Lash and Urry, pp. 233-234). One of the more important processes in this shift towards "disorganised capitalism" has been the reduction in the regulation of national markets by nationally based organisations, a process which is manifest in a significant decline in national level collective agreements and a corresponding increase in company and plant level bargaining (Lash and Urry, 1987, p. 5). The transformation in production techniques, the growth of the service sector and the internationalisation of production all mean that:

workers in those industries which had been at the heart of corporatism's centralised bargain, have become so unrepresentative of the national labour force that a corporatist solution will become increasingly unworkable (Lash and Urry, 1987, p. 234).

There are clearly discernible similarities between the respective positions of Goldthorpe, Streeck, Lash and Urry. All emphasise the importance to management of being released from the constraints imposed by macro-political bargaining structures, the deregulation of national and international labour markets, the internationalisation of capital and the corresponding shift in the composition of workforces.

The principal reservation this paper holds with such an approach, however, is its central premise that sectoral or decentralised forms of bargaining represent an alternative (more flexible) response to the *rigidities* imposed by corporatist tendencies. Thus, in Goldthorpe's case, dualism represents the:

enlargement of certain areas of the economy within which market forces and associated relations of authority and control are able to adapt more freely than in others, and in such a way as to *compensate for the rigidities that prevail elsewhere* (my emphasis) (Goldthorpe, 1984, p. 329).

For Streeck, the spread of deregulation occurred because it involved a "more or less forceful, and more or less successful, attack on the accumulated

investment opportunities. For Gobeyn, corporatism is being "rendered obsolete" by interrelated trends which have weakened the bargaining powers of trade unions and, therefore, question the efficacy of "extensive nationally based concertative linkages". For more detail see M.J. Gobeyn (1993). For a detailed critique of Gobeyn's position see G. Taylor (1995).

rigidities that over three decades of mixed economy had installed" (Streeck, 1992, p. 215).⁶

It is the use of the concept of rigidity, and in particular the failure to explicate in more detail its function within this theoretical schema, which is problematical. Throughout, the concept of rigidity is applied only to corporatist tendencies and presumably, therefore, denotes problems which are not experienced in a dualist response to crisis.

The consequence of using "rigidity" in such an ill-defined manner, however, is to apply *positive* and *negative* connotations to a specified response to crisis. In Goldthorpe's case, such a position would appear to undermine the utility of the original distinction between corporatism/dualism as divergent responses, because it alludes, albeit unintentionally, to the possibility that corporatist tendencies include a priori a number of rigidities which are not features of dualism.⁷ A more useful distinction, one which does not carry the assumptions of efficiency implicit within the metaphors of rigidity/flexibility, would be to argue that both corporatist *and* dualist responses to crisis offer *opportunities* and *constraints*. Formulated in such a manner, the framework does not assume a priori that dualism is more flexible than corporatism as a response to crisis. In turn, research should, therefore, focus upon establishing the particular configuration of a dualist or corporatist response to crisis through an examination of the specific political and historical conjuncture.

This paper suggests, therefore, that dualism offers both *opportunities* and *constraints*. The removal of certain areas of the economy from the public sector, and consequently altering the relations of authority, control, responsibility and accountability, enables the state to depoliticise the process of rationalisation. In this sense, returning certain sectors of the economy to the influences of "market contingencies", and thereby reasserting the autonomy of management, the state is able to reduce potential sources of conflict over its responsibility to defend employment in vulnerable sectors. Altering the

6. The position of Lash and Urry is more complex. They argue that the collapse of corporatist bargaining is part of a wider process of disorganisation which capitalism is experiencing. Thus, they suggest that "corporatism begins tendentially to wither, ... largely because of the disorganised capitalist decline in size, resources and homogeneity of the working class. With internationalisation capital ceases to be a national class creating divisions between export oriented firms and the rest of organised labour" (Lash and Urry, 1987, p. 280).

7. It would be misleading to suggest that this was an original intention of Goldthorpe's schema, since, at various junctures, he wishes to distance himself from establishing any form of preference. Thus, Goldthorpe states that: "In sum, what may be maintained is that over recent decades western capitalist societies have moved in divergent directions in their responses to economic problems and further that, in consequence, they now face different sets of political choices in which real ideological alternatives are in fact inherent. *Which alternatives will be pursued, to what extent, and with what degree of success are questions that cannot be answered in advance* (my emphasis) (Goldthorpe, 1984, p. 340).

balance between the public and private sectors (in favour of the latter) also implies that the scale of commitments involved in corporatist negotiations is diminished. Such changes could facilitate either a reduction in the level of state borrowing, allowing a wider scope for choice in public policy or reductions in taxation. However, relinquishing the state's responsibility also entails a reduction in the state's strategic control in certain key industries. Moreover, it necessarily entails a reduction in its capacity to provide collective goods that are in the long-term interest of the economy but which may not emerge from the rational decisions of individual firms in a free market.

The second reservation which emerges from this distinction between corporatism and dualism is the tendency to assume that decentralised forms of wage bargaining are necessarily more efficient in responding to the needs of business. It is a problem which is amplified in Streeck, Lash and Urry's work where such arrangements are perceived not only as inherently more beneficial but are apparently recognised uniformly as such by management. Recent research undertaken in Britain, a country which has systematically dismantled macro-political forms of bargaining and has actively pursued decentralised forms of management/union relations, would appear to cast doubt on such a sweeping conclusion.⁸

In the British context the 1980s was a decade of radical change in pay negotiations. A substantial number of multi-employer, national level wage agreements disintegrated in the late 1980s as firms shifted the focus of negotiations to the level of the individual firm or site. As Brown and Walsh observe, this decline in national level bargaining suggested that firms increasingly adopted a "proactive stance" towards pay determination (Brown and Walsh, 1991). For Goldthorpe, Streeck, Lash and Urry the appeal of such literature lies in its emphasis on the advantages to be gained from the flexible deployment and utilisation of manpower under the management prerogative (Purcell, 1991). In this sense, decentralised bargaining arrangements allow management to scrutinise more closely the link between performance and pay, establishing a level of continuity in the local labour market. These innovations in pay bargaining are said to have two advantages. First, the shift towards decentralisation consolidates previous attempts by management to internalise local labour market conditions within the firm. Second, such changes afford management greater scope to control labour costs.

8. It may not be very meaningful to assert that either decentralised and centralised forms of bargaining are more effective. As Calmfors notes, where there exists highly centralised bargaining and highly decentralised bargaining optimal outcomes may be produced. However, as he points out, "it is unrealistic to expect one universally optimal set of bargaining institutions to exist in all countries." (Calmfors, 1993).

On the basis of recent research, however, Walsh has questioned whether decentralised forms of wage bargaining have in fact served to tighten employer's control over pay and performance (Walsh, 1993). As her research indicates, decentralised forms of bargaining agreements present management with alternative problems and should not, therefore, be seen as inherently more "efficient". In particular, she argues that decentralised wage bargaining procedures may actually generate intra-firm bargaining pressures and as a consequence impede employers from securing productivity gains. Thus, Walsh observes, that aggregate evidence suggests that "company profitability influences pay, but does not support the proposition that the spread of decentralised bargaining necessarily increases the response of pay to business profitability" (Walsh, 1993, p. 416). Moreover, where productivity is determined by interdependent technologies, as opposed to employee performance, management may encounter obstacles to the introduction of individual incentive schemes (Walsh, 1993).

III LABOUR MARKET RIGIDITIES AND INSTITUTIONAL IMPEDIMENTS

It is possible to discern at least three distinct themes within the neo-liberal case against state intervention. First, there is the immediate call for the withdrawal of the state from public sector industry. Not surprisingly, examples as disparate as the British coal industry or *Team Aer Lingus* in Ireland are cited as cases symptomatic of the sclerosis which is endemic to public sector industry. It is not just that these industries suffer from poor management/union relations, although it is rare for this not to be cited as *the* major factor, rather that the state imposes a series of institutional rigidities which are a burden upon *any* industry operating within an internationally competitive environment.

The second theme, one integral to this overall neo-liberal position, is the issue of macro-political bargaining. Here, opponents of such agreements argue that macro-political forms of bargaining impose rigidities on labour markets which undermine the ability of management to exploit local labour market conditions. It has always been a common assumption of neo-classical economists that the efficiency in the use of labour can be made through the minimisation of recruitment costs and the ease with which people can be dismissed. In this context, neo-classical economists argue that the wave of corporatist bargaining of the 1970s and 1980s increased the level of employment protection legislation, thereby diminishing the prospect for labour markets to be "cleared" (workers to be fired with ease) (Dore, 1988, p. 400). From such a perspective, macro-political bargaining simply exacerbates this

problem by allowing unions to secure wage increases above the market level in periods of high unemployment. To complete this picture, rate for the job wage structures, which tend to reinforce occupational consciousness, can pose resistance to the breakdown of job demarcations, particularly if it is reinforced by craft/occupational bargaining structures (Dore, 1988, p. 400). This is not to suggest that wage rigidities do not lead to higher levels of unemployment, rather it is to argue that the issue of wage rigidities is more complicated than most neo-liberal economists are willing to concede.

The neo-liberal position assumes that wage rigidities inevitably lead to lower levels of output and employment. Here, it would not be misleading to suggest that authors of the New Right identify trade unions as the primary source of wage rigidity. Evidence to support this in the British case, however, is far from convincing. Despite a vast programme of legislation aimed at reducing the political and economic role of trade unions, wages during the 1980s consistently outstripped the rate of inflation (see Marsh, 1992). Moreover, as Dore notes, it is plausible to suggest that measures which seek to enhance job security actually provide incentives for companies in a number of important areas: they motivate firms to adapt to market change through intra-company diversification; they provide a stimulus for employers to pursue retraining programmes and, finally, they assist in the redeployment and retraining of personnel when technology demands changes to manpower requirements (Dore, 1988, p. 401). Enhancing the level of job security may also increase the level of workforce commitment and sense of identity within individual firms. In such a scenario, workers may be more receptive to moves designed to improve product quality, the flexible use of labour and recognise the need to expand effort in periods of economic crisis (see Dore, 1988; Streeck, 1988 and 1992).⁹

It is important to recognise that discussions of labour market rigidities cannot be isolated from other areas of public policy such as training and education. Within the neo-liberal perspective "clearing" the labour market is paramount and, consequently, training programmes are designed simply to alleviate the worst excesses of market failure in economically depressed regions. However, as Dore observes, if Governments are to assist enterprising firms in the process of diversification then it is crucial that resources for training are diverted inside firms rather than simply to those made unemployed (Dore, 1988).

9. Rowthorn (1992) argues that such wage-efficiency considerations have an important bearing upon the issue of centralisation and decentralisation of bargaining. Moreover, the issue is perhaps a little more complex than either Dore or Streeck acknowledge. For example, Calmfors notes that there are at least two types of firm who would prefer decentralised forms of negotiation to centralised forms of negotiation: strong wage-effort-profit firms, which require relative wages and those who lack such a link which want low wage relativities (Calmfors, 1993).

The third and final strand of the neo-liberal case against state intervention rests on a series of objections which relate to the state's commitments to key areas of public policy. Here, the expansion of the post-war welfare state has been predicated not upon establishing a minimum level of welfare but rather upon an expanding set of social and political rights. As a consequence the welfare state has extended beyond the realm of education, health and income maintenance to encompass full employment policies, environmental regulation, work safety, low wage councils and retraining programmes (see Pfaller and Gough, 1991, p. 2 and Hills, *et al.*, 1994). For authors such as Hayek, there is an important distinction to be drawn here between two conceptions of security:

A limited security which can be achieved for all and which is, therefore, no privilege, and an absolute security, which in a free society cannot be achieved for all.... the latter is closely related to the main ambition that inspires the welfare state: the desire to use the powers of government to insure a more even or more just distribution of goods (Hayek, 1960, p. 259).

Hayek's view of citizenship implicitly acknowledges a radical departure from that which has prevailed in the post-war period. Citizens are no longer entitled to expect an expanding set of social and political rights. Rather, individuals have a set of necessary obligations and duties which they must perform before they can be considered citizens.

Throughout western Europe welfare payments have emerged as an increasingly politicised issue. It is not simply a question of the level of entitlements, although this in itself tends to raise the hackles of any committed neo-liberal economist, rather it is the very structure of those entitlements. From a neo-liberal perspective the presence of such benefits increases both the level of wage rigidity in the economy and the prospect of a culture of dependency which ultimately inhibits the emergence of an enterprise spirit. In short, it represents a fundamental threat to the underlying efficiency of the economy.¹⁰

Dore's response to this difficult problem is to concede that the presence of such schemes has an inevitable impact on the take up of low paid jobs (Dore, 1988). There is, in his opinion, a complex relationship between equity (the redistribution of productive resources) and efficiency in periods of high unemployment. For Dore, this problem can be resolved only through some

10. An interesting comparative analysis of some of the complex themes associated with this type of argument has been undertaken by Pfaller and Gough. They suggest that their findings *do not* prove that welfare statism is linked to diminishing economic performance, see Pfaller and Gough (1991).

form of macro-political bargaining which ensures specific levels of employment, thereby reducing the impact of “unproductive rigidities” (income maintenance schemes) (Dore, 1988).

On this issue Streeck remains far more circumspect. He argues that in the absence of any internationally agreed form of self-restraint and/or Keynesian employment-creation scheme the institutions which served the weak have become defences for those who are employed. Governments throughout western Europe have manifestly failed to reduce the division between the employed and the unemployed. In such a situation Streeck observes succinctly that:

The real champions of equality now seem to be those who have always fought on the side of inequality: the proponents of “market clearing”, wages and flexible employment devices which, while they would increase the wage spread between skill groups, firms, industries and regions, at least promise to close the gap between employed and the unemployed by allowing the latter to compete (Streeck, 1988, p. 415).

For Streeck, the existence of some forms of rigidity need not present an insurmountable problem, providing that there is a reduction in productive rigidities. Thus, he asserts that rigidity and flexibility are not always mutually exclusive. In countries like the United States and Britain, for example, they have had a trade-off between the flexible access to the external labour market (hiring and firing workers to change the size and composition of their workforce) — and strong “rigidities” with respect to internal deployment, redeployment and retraining (Streeck, 1988, p. 417). It is a position which contrasts sharply with that of Germany and Sweden where unions have managed to secure rigid entitlements to long-term employment in exchange for high levels of internal shop-floor flexibility (Streeck, 1988, p. 419).

In Streeck’s opinion, a developed internal labour market with high and rigid wages and stable employment seems better suited to serving volatile and diversified high quality markets. Rubery’s recent research appears to confirm that, in the British case, most firms benefit from “continuous, stable relationships with committed workers” (Rubery and Wilkinson, 1994, p. 13). However, as both Dore and Streeck acknowledge, a pattern of high wages and rigid job entitlements is unlikely to result from the enlightening forces of the free market.¹¹ In such circumstances, social peace, worker commitment and

11. In Streeck’s opinion, Diversified Quality Production (DQP) “requires a rich supply of individually non-appropriable production factors” and, furthermore, that “industrial restructuring towards high levels of product diversity and quality is impeded by a neo-classical institutional environment that gives rational possessive individualism precedence over collective, co-operative and collusive action” (Streeck, 1992, p. 22).

high and flexible qualifications tend to be under supplied if left to the rational decisions of individual firms. In other words, certain rigidities (collective goods which are in the long-term interest of the economy) are important prerequisites to the development of an arena in which enterprising firms are able to respond and diversify in quality competitive markets (Streeck, 1988 and 1992). In such cases, Streeck suggests, a system of wage determination which keeps wages higher than the market would otherwise dictate may encourage firms to diversify and invest in training and retraining. Similarly, employment protection appears to enhance individual firms' awareness of the need to invest in training programmes to retain expensive skills.

There are two themes within this set of arguments which are of particular relevance to this paper. First, it presents a challenge to the dominant neo-liberal interpretation of what constitutes an enterprising firm. Second, it raises the crucial question of why certain rigidities imposed upon management "force" innovation and others not? Why, for example, do the rigidities imposed by macro-political bargaining arrangements not provide a stimulus towards innovation? On this issue it would appear at first that Streeck is in agreement on the beneficial impact of certain forms of political regulation. Thus, he states that: "political regulation not only need not be detrimental to economic success, but may constitute a central precondition for it" (Streeck, 1988, p. 419). This is an important argument and is worth teasing out in a little more detail.

For Streeck, the benefits of political regulation do not extend to the realm of macro-political bargaining. On the contrary, he is willing to concede that political regulation is beneficial *only* if it is directed toward the supply side of the economy. Thus, in his opposition to the neo-liberal perspective he suggests that rigidities may well stimulate managerial innovation:

A polyvalent organisation whose subunits are capable of flexibly crossing the boundaries of their assigned functions is expensive, and the return on investment in polyvalence is difficult to establish. This is why the de-Taylorisation of work organisation, profitable as it undoubtedly is for firms pressed for higher product quality and diversity, seems to proceed faster where there is additional and independent pressure for reorganisation of work, for other than economic reasons. In the same way in which institutionally imposed obligations to train improve firms' skill base, legislation or industrial agreements mandating employers to enlarge and enrich job definition may contribute to operational flexibility. *In both cases competitiveness increases as a result of adjustments individual firms would or could not voluntarily have made* (my emphasis) (Streeck, 1991, p. 19).

However, in terms of macro-political bargaining, Streeck suggests "that standard solutions for the regulation of the employment relationship" may be counter productive to increases in productivity and competitiveness (1992, p. 213).

At the crux of Streeck's argument, then, is the firm conviction that macro-political bargaining arrangements remain limited to demand side considerations and, by implication, are ill-suited to engineer a restructuring of the economy. They may have been (partially) successful in orchestrating changing consumption patterns but they are unsuccessful at removing rigidities in the supply side of the economy. As the case study below reveals, however, the recent Irish experience of macro-political bargaining would appear to cast doubt on this sweeping conclusion. Indeed, I would argue that one of the most important features of the Irish macro-political bargaining agreements has been its ability to assist in the restructuring of the supply side of the economy, a feature which has sustained its appeal to management.

IV MACRO-POLITICAL BARGAINING IN IRELAND: FROM THE PROGRAMME FOR NATIONAL ECONOMIC RECOVERY TO THE PROGRAMME FOR COMPETITIVENESS AND WORK

The recent political turmoil surrounding the crises at *Irish Steel* and *Team Aer Lingus* has ensured that the thorny issue of state intervention remains high on the Irish political agenda. For those of a neo-liberal persuasion the precarious position of these, and other state-sponsored bodies, provides eloquent testimony to the inability of the Irish state to intervene in internationally competitive environs. Although such arguments are often couched in a persuasive language which blends neo-liberal economics, human resource management and conservative political ideology they are not restricted to a modest call for the restructuring of the state-sponsored bodies (privatisation in whatever guise). For the Irish polity the implications remain far more profound. It involves a demand to dismantle the political structures upon which state intervention and macro-political bargaining are predicated. The success of macro-political bargaining structures in Ireland in the late 1980s has been confirmed by the recent decision to implement a new agreement entitled the *Programme for Competitiveness and Work*.¹² This paper

12. Durkan's recent analysis of macro-political bargaining is more pessimistic. (Durkan, 1992) Durkan argues that macro-political bargaining has added to wage inflationary pressure due to its focus on preserving good industrial relations and the "politicised" nature of such negotiations. At this juncture I simply want to note that Durkan's work pays little attention to the success of PESP in reducing industrial conflict and that he concentrates on a "narrow" definition of the managerial function. There is scant attention paid to issues such as a stable political climate, the introduction of new technology and the ability to secure changes in work practices which are all

argues that there are two principal reasons for this sustained commitment to macro-political bargaining structures. First, Ireland's experience of macro-political bargaining has highlighted the potentially flexible nature of such arrangements. Second, the political structures which surround industrial relations have proved extremely successful in resolving industrial conflict. The central contention is, therefore, that rather than constrain the managerial function, macro-political bargaining structures have actually facilitated management in its attempt to restructure and rationalise working practices and introduce new technology. It is not simply that such moves indicate a change in the relative competitiveness of an individual firm, rather that management perceives macro-political bargaining structures as a useful mechanism through which to effect such change.

While Ireland experienced a sustained period of economic growth during the 1960s it also witnessed an intensification in industrial conflict. Moreover, as Hardiman observes, throughout this decade wage competition between groups produced a disturbingly strong upward thrust to pay negotiations, mirroring events in the UK. By the late 1960s it appeared to many that such industrial conflict signalled the emergence of a period of "unrestrained free for all bargaining" (Hardiman, 1988, p. 46). It was a position complicated further by the fact that attempts were made to sustain differentials and relativities within pay negotiations. To many inside Government the debilitating experiences of such industrial strife could be attributed to the particularities of Irish trade union organisation, multi-union representation and a relatively weak level of centralisation

In a concerted attempt to restore stability to wage negotiations, and subsequently reduce the incidence of strikes, the Government prompted a series of national level wage agreements (NWA) and National Understandings (NU) with employers and trade unions during the 1970s. These agreements, which lasted between 1970 and 1980, involved negotiations over pay between employers and unions and a series of non-pay negotiations between unions and Government (Hardiman, 1988, p. 53).

However, by the early 1980s it had become apparent that both management and unions were disenchanted with national level agreements. It was a period that witnessed an intensive campaign by management to decentralise wage negotiations, tying pay increases to local labour market conditions and the profitability of individual firms. However, the emergence of the *Programme for National Recovery* (PNR, 1987) and the *Programme for Economic*

crucial features of productive relations upon which macro-political bargaining procedures have an important bearing. Moreover, the fact that the negotiations for a further round of macro-political bargaining, the PCW would appear to confirm the view that management has been able to gain from previous agreements.

and *Social Progress* (PESP, 1990) signalled a renewed enthusiasm for national level wage agreements. Indeed, as Table 1 illustrates, by 1992 national level wage negotiations, particularly in the manual and clerical sectors, had become the norm.

Table 1 : *At What Level is Basic Pay Determined?*

	<i>Managerial</i>	<i>Professional</i>	<i>Clerical</i>	<i>Manual</i>
National/Industry Collective Bargaining	33.3	39.9	55.1	71.0
Regional Collective Bargaining	0	2.2	6.5	8.0
Company/Division	27.5	23.9	24.6	18.1
Establishment/Site	15.2	17.4	17.4	13.0
Individual	39.9	31.2	16.7	5.8

Source: Industrial Relations News (IRN) Vol. 38, 1992.

This paper argues that the success of PESP can be attributed to a number of innovations which contrast with previous macro-political bargaining arrangements.¹³ Moreover, it suggests that such differences have been directed principally toward enhancing the level of flexibility in negotiations between management and unions. Here, the most important innovation developed under PESP was the introduction of a local bargaining clause which allowed management to tie negotiations to local labour market conditions while successfully retaining moderation in wage demands at a macro-level.¹⁴ Table 2, for example, shows clearly that clause three of PESP (the local bargaining clause) was a significant contributory factor in management's ability to extract concessions in a wide range of operating areas. As the study undertaken by the *IRN* noted, management was successful in gaining significant concessions in almost half (48 per cent) of the 96 local bargaining deals recorded at the beginning of 1991 (*IRN*, Vol. 37, 1992).

The findings of the *IRN* study largely concur with the general thrust of an

13. For a review of PESP see the Report of the Central Committee (1992), *Progress Achieved under PESP* Pn 0447.

14. Under the terms of PESP increases in pay at national level were divided into three years. Year one (4 per cent), year two (3 per cent) and year three (3.75 per cent) In addition clause three allowed local negotiations up to a ceiling of 3 per cent of basic pay. In contrast the breakdown under PCW was year one (2 per cent), year two (2.5 per cent), year three (first six months 2.5 per cent), and year three (second six months 1 per cent). Separate agreements were made in both the public sector and the construction industry.

internal research analysis conducted by SIPTU.¹⁵ However, unlike the SIPTU report, the analysis by the *IRN* made an important distinction between items such as “agreements to co-operate with on-going change or the tightening up on tea breaks” with agreements on cashless pay, increased productivity or major re-organisation/rationalisation. For the purposes of this paper, however, what is of more significance is the fact that when both of these broad categories (significant and minor trade offs) are put together, the overall figure for companies where concessions were agreed in return for clause three came to a total of 79 per cent (*IRN*, Vol. 37, 1992).

Table 2: *Breakdown of Clause 3 Agreements*

	%
3% with “significant” trade offs	48.0
3% with “minor” trade offs	25.0
3% without trade offs	14.6
3% plus/radical change	6.2
Less than 3%	4.1
Other	2.0
Total	100.0

Source: *IRN*, Vol. 37, 1 Oct 1992.

The figures provided by a survey undertaken by the Department of Enterprise and Employment concur largely with these findings. This study monitored the outcome of negotiations on the local bargaining clause in 427 private and public sector firms, comprising over 121,000 employees. Successful negotiations were reached in 77 per cent of the enterprises monitored (Department of Enterprise and Employment, 1993).

A sample list of the key “change” items which unions agreed to trade off for payment of clause three could be made up of the following: productivity improvements; rationalisation/reorganisation; regrading; cooperation with new technology/new machinery; introduction of ‘just in time’ working practices (JIT) and of course the all encompassing “cooperation with on-going change” (*IRN*, Vol. 36, 1992).

While the PESP was successful both in resolving conflict and introducing new working practices it also allowed management to make the clause three payment in a series of phases. Such a measure allowed a further injection of flexibility into negotiations between management and unions, albeit subject to discussions with both the Labour Court and the Labour Relations

15. The SIPTU report was based on 187 cases covering 749 companies. See *Industrial Relations News*, Vol. 37, 1992.

Commission on the financial state of the individual firm. Although the data here are more limited Table 3 appears to indicate that while the majority of companies (55.5 per cent) paid clause three in a single phase, a phased payment was made in 27 per cent of cases, a process which became more prevalent as 1992 progressed.

Table 3: *How the 3 Per Cent was Applied*

	%
<i>Full 3%</i> (starting date, phase II of PESP)	53 (55.5)
<i>Full 3% on a phased basis</i> (starting date, phase II of PESP)	26 (27.0)
<i>Full 3%</i> (starting date before phase II)	5 (5.2)
<i>Full 3%</i> (starting date after phase II)	3 (3.0)
Deals in excess of 3%	6 (6.2)
Interim Deals	3 (3.0)
Total	96 (100)

More revealing perhaps is the breakdown of changes provided in Table 4. This table highlights two important themes. First, despite the predominance of macro-political bargaining structures, Irish management has been extremely successful in altering working practices among core employees. Second, that many of the changes which have taken place relate specifically to the status of employees. As column 1 of Table 4 shows, the type of responses associated with flexible strategies designed to increase an organisation's ability to adapt to volatile market conditions has significantly increased. The use of part-time employees, temporary or casual workers, fixed-term contracts and sub-contractors have all shown significant increases.¹⁶

However, as Morley, Gunningle and Heraty observe, while management in Ireland has pursued a strategy aimed at ensuring a more flexible response between labour inputs and the market environment, it has not been to the extent that many would have thought should have occurred. They suggest

16. It is important to add a note of caution here. While recent figures suggest that part-time work is common, it is only for a relatively small proportion of organisations who responded to the Price Waterhouse Cranfield Project. However, as an emerging feature it is common across organisational ownership (Irish, UK and US) see Morley, *et al.* (1994).

Table 4: *Has There Been a Change in the Use of the Following Working Arrangements over the Last Three Years?*

	<i>More</i>	<i>Same</i>	<i>Less</i>	<i>Not used</i>	<i>Don't Know</i>
Weekend work	14.5	50.7	14.5	14.5	5.8
Shift work	15.2	54.3	8.0	15.9	6.5
Overtime	23.2	34.1	34.1	2.9	5.8
Annual Hours contract	4.3	17.4	9.4	50.0	1.4
Part-time work	31.2	26.8	4.3	26.1	11.6
Temporary	37.7	36.2	8.7	6.5	0.7
Fixed-term contract	37.7	29.0	4.3	19.6	0.7
Home based work	1.4	4.3	—	70.3	0.7
Govt Training Scheme	13.0	29.0	—	36.2	2.2
Sub contracting	36.2	29.7	3.6	20.3	0.7

Source: *IRN*, Vol. 38, Oct. 1992.

that such changes should be viewed in terms of a gradual shift rather than a radical departure (Morley, *et al.*, 1994). More importantly for this paper, however, is the fact that such changes to employee status have occurred in a period in which management has *apparently* been denied the autonomy in which to exploit local labour market conditions.

Clearly, the incidence of such change reveals a significant disparity between the rhetoric of national level employer organisations, which allude to the restrictive nature of macro-political bargaining agreements, and the experience of such negotiations. A more considered appraisal highlights the flexibility which macro-political bargaining structures have given to management in its attempts to implement new working practices and technology. Table 5 provides a breakdown of the relationship between full-time employment and part-time employment over the last decade. This table shows that while unemployment was increasing the level of part-time work remained fairly even between 1983-1987. Thereafter, part-time work has shown a steady, though not startling increase. It is important to recognise that such change cannot be isolated from the high levels of emigration Ireland experienced during the 1980s as unemployment reached record levels.

An additional (but nevertheless) crucial component to the success of macro-political bargaining in Ireland has been the institutional apparatus designed to resolve disputes between management and unions. As Tables 6, 7 and 8 show, there has been a substantial reduction in both the incidence of strikes, the level of unofficial strike activity and the number of days lost in disputes. Moreover, a comparison between the period 1982-1987 and 1988-1993

emphasises the success of PNER and PESP to reduce the level of strike activity in the economy.

Table 5: *The Changing Nature of Employment*

<i>Economic Status</i>	1983	1985	1987	1988	1992
Full-time	1,067.7	1,030.6	1,029.6	1,024.6	1,056.0
Part-time, not underemployed	61.9	56.6	61.6	68.3	84.9
Part-time, underemployed	14.5	12.0	16.4	18.9	19.0

Source: Labour Force Survey.

Table 6: *Number of Strikes and Work Days Lost During a Six Year Period of Decentralised Wage Bargaining (1982-87)*

	<i>Strikes</i>	<i>Days Lost</i>
1982	131	434,000
1983	154	319,000
1984	192	386,000
1985	116	418,000
1986	100	309,000
1987	80	264,000
Total	773	2,130,000

Average number of days lost per annum — 355,000

Number of Strikes and Work Days Lost During the Six Year Period of PNR/PESP (1988-1993)

	<i>Strikes</i>	<i>Days Lost</i>
1988	65	143,000
1989	38	50,000
1990	49	223,000
1991	54	86,000
1992	38	191,000
1993*	48	65,000
Total	292	758,000

Average number of days lost per annum — 126,000

Source: Central Statistics Office/*Department of Enterprise and Employment.

Table 7: *Number of Strikes which Commenced in Period of 1987-91*

<i>Year</i>	<i>Total</i>	<i>Official</i>	<i>Unofficial</i>
		<i>%</i>	<i>%</i>
1987	76	54 (71)	22 (29)
1988	72	46 (64)	26 (36)
1989	41	28 (68)	13 (32)
1990	51	35 (69)	16 (31)
1991	52	39 (75)	13 (25)

Source: Department of Labour *Annual Report*, 1991.

Table 8: *Days Lost in the Period 1987-91*

<i>Year</i>	<i>Total</i>	<i>Official</i>	<i>Unofficial</i>
		<i>%</i>	<i>%</i>
1987	260,000	235,000 (90)	25,000 (10)
1988	130,000	123,500 (95)	6,500 (5)
1989	41,400	29,800 (72)	11,600 (28)
1990	203,700	196,000 (97)	6,800 (3)
1991	82,900	73,600 (89)	9,300 (11)

Source: Department of Labour *Annual Report*, 1991.

As Table 9 indicates the combination of the Labour Court and the Labour Relations Commission has proved remarkably successful in resolving disputes between management and unions.¹⁷

Table 9: *Settlement of Industrial Disputes in the Public and Private Sectors*

<i>Year</i>	<i>Number of Disputes</i>			<i>Meetings</i>	<i>Settled</i>
	<i>Private Sector</i>	<i>Public Sector</i>	<i>Total</i>		
1990	1,105	469	1,574	2,074	Total 1,143 = 73% Private Sector 853 = 77% Public Sector 290 = 62%
1991	1,303	577	1,880	2,485	Total 1,606 = 85% Private Sector 1,125 = 86% Public Sector 481 = 83%

17. It should be noted that the combination of high levels of unemployment throughout the 1980s and the recognition on the part of unions for the need to introduce new technology/working practices in order to remain internationally competitive have also been important factors.

The data here would suggest that despite the presence of macro-political bargaining arrangements management has been proactive (and at least partially successful) in pursuing a programme of restructuring. Indeed, it is plausible to suggest that the presence of such arrangements may have engineered an environment in which management has been encouraged to pursue innovations in flexible work practices, employee status and social organisation. In other words, macro-political bargaining arrangements have been an integral element to managerial strategies designed to effect change in the supply side of the economy.

This would appear to suggest that the optimism embedded in Streeck's view, that flexibility and rigidity are not mutually exclusive, is not misplaced. The problem for Streeck, lies in the fact that he fails to appreciate the role macro-political bargaining can play in restructuring the productive (supply side) of the economy. It is not simply that management in Ireland has been able to trade off a particular clause of the wage agreement in exchange for the introduction of new working practices and technology (although this has clearly been an important element). Rather, such agreements have contributed positively to the creation of a stable environment in which management has been able to innovate. Social peace, worker commitment and the recognition of the need to encourage long-term investment in new plant and technology are all a part of the political dimensions to managerial strategies which are shaped by macro-political bargaining agreements. In this context, then, this paper would argue that macro-political bargaining agreements do not necessarily impose rigid standards on managerial strategies. It is also important, therefore, to avoid the temptation to view any move which does not adhere to some arbitrary classification of flexibility in a negative light. On the contrary, while macro-political bargaining agreements *may* introduce constraints for management in some areas, they will also provide new opportunities (social peace, stability) for management to exploit.

At this juncture a further point can be raised. Any discussion of rigidity or flexibility also has a tendency to impose a hierarchy on the "needs" of business strategies. It is as if management can be furnished with a check list of priorities, the suitability of which can be deemed by the fact that they either increase or decrease the level of operating flexibility.¹⁸ More often than not such approaches assume that management operates in a rational and strategic manner with the specific intention of increasing the level of flexibility. This is to simplify what is often an extremely complex task, a task

18. Evidence from a recent survey analysis in the UK suggests that British firms are largely "improvisers and empiricists" and even where evidence of strategic behaviour could be found, it applied only to a small group of firms see J. Rubery and F. Wilson (eds.) (1994).

which involves necessarily an important political dimension. It is often possible, for example, to identify conflicting interests within the management structure itself. The existence of such divisions cast a long shadow over the rudimentary perception of management as a unified group, either within individual firms or between firms. On this issue, Hyman's observations are invaluable:

Viewed from without, corporate management may appear as an integral totality ... but seen from within, organisational stability and integrity may be far more problematic since management is itself a collective labour process, internal coherence cannot be assumed a priori (Hyman, 1987, p. 30).

Moreover, as Rubery and Wilkinson suggest, employers have a wide range of objectives which are not necessarily compatible. They argue for example that "the need to manufacture and maintain consent may be an important constraint on the exercise of power by managers" (Rubery and Wilkinson, 1994, p. 29).

All too easily, then, contributors to the debate on managerial strategy have a tendency to jettison the political dimension, a move designed to persuade its audience that the managerial function can be made intelligible purely in terms of a series of rational economic criteria. In short, there is a crucial political dimension to managerial strategies which does not fit easily into the assumptions of efficiency which underpin debates about rigidity and flexibility.

V CONCLUSION

It has become almost an accepted axiom within contemporary political science that macro-political forms of bargaining are in irreversible decline. Such institutionalised forms of bargaining are now perceived as inflexible and rigid, constraining the adaptive response of business in volatile market conditions. Appraisals from across the political spectrum appear united in the belief that capitalism has moved into a new, dynamic phase in which flexibility of products, personnel and strategy is paramount. Consequently, it is argued, that if the levels of economic growth enjoyed during the post-war period are to be sustained it is essential that we jettison the institutional constraints which are currently imposed upon business.

This paper has challenged such a political consensus. In particular, it has argued that it has been influenced strongly by neo-conservative interpretations of alleged administrative failure; that the real problem facing west European capitalism has been an explosion in the institutional impediments

to economic growth. In contrast, an examination of macro-political bargaining agreements in Ireland during the late 1980s and early 1990s suggest that rather than simply providing a constraint upon management they have assisted management in its introduction of flexible work practices and new forms of technology. It is in this sense, that macro-political bargaining agreements should be seen as providing not only constraints on management but engineering new opportunities. The objective of this paper is not to suggest that the Irish experience should be seen as an *ideal type*, rather it is to argue that the benefits to be gained from decentralised forms of bargaining have been exaggerated. In short, attempts to draw the final curtain on macro-political bargaining may not only be theoretically misplaced but may also prove to be premature.

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