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Does Labor Still Matter? East European Labor and Varieties of Capitalism

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Abstract

This paper uses the "varieties of capitalism" framework to assess the type of capitalism that has developed among the postcommunist new member states of the European Union. The varieties of capitalism (VoC) theoretical perspective makes two central claims: first, that even in a globalized era, advanced capitalist societies can be grouped according to their national production regimes -- or in short, distinct varieties of capitalism -- and second, these varieties of capitalism are largely resistant to pressures toward convergence. In this literature the two most prominent ideal types are liberal market economies (LMEs) such as the U.S. and the U.K., and coordinated market economies (CMEs) such as Germany and Sweden. Here we simplify this framework by focusing on industrial relations, an area that makes up a central part of the varieties of capitalism perspective. We examine such factors as union density, the extent of collective bargaining coverage and the dominant bargaining level, the quality of social dialogue between social partners, the extent of employers' organizations, and the amount of strike activity. We find that, at least when focusing on the dimensions impacting labor, the eastern European states can be mapped onto the VoC framework, and that Slovenia looks very much like a CME, whereas all of the other new member states look much more like LMEs. The Visegrad states appear somewhat anomalous with regard to their welfare states, though we find reasons - especially the relative lack of veto power on the part of trade unions - for believing they may be subject to considerable change in a liberal direction, bringing them closer still to the LME ideal type. How to explain that nine out of ten postcommunist countries ended up with liberal as opposed to more (continental) European-style institutions? Here the logic of the VoC approach fails. Whereas the varieties of capitalism approach argues that a society's institutions will shape its competitiveness strategy, in the postcommunist cases the causal arrow was reversed. Rather than firms choosing strategies based on existing institutional configurations, states (and international actors) reshaped the institutional universe in dramatic fashion to achieve a deliberately chosen competitiveness strategy based on liberalization. To a significant degree this strategy was possible, we have argued, because the countervailing power of labor was missing. In Slovenia, while many pre-existing conditions were beneficial, mobilization by workers at a crucial time was necessary to convince employers and the state of the benefits of

creating institutions enabling coordination.