"Three views of a secret": Containment of industrial conflict in neo-liberal environments
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Chapter 4
A Typology for Industrial Peace
in Neo-Liberal Environments

Overview

In this chapter, by using the meta-theory developed in the previous chapter as reference, I critically examine the prominent theories in the literature on industrial conflict and derive two pairs of competing hypotheses as to the source of industrial peace in neo-liberal environments. First pair tries to explain the industrial peace in organized industrial relations and the other pair focuses on the industrial peace in unorganized industrial relations. In both pairs one hypothesis excludes the state but the alternative attributes a crucial role to it. The chapter ends with the incorporation of these two pairs of competing hypotheses into a single typology. This typology will be empirically examined in the subsequent chapters.

Navigation in the conflict literature

In order to be able to critically examine the vast literature on industrial conflict I use the insights provided by the previous chapter as a navigation device: I focus on the three main realms pointed out by the state-of-nature exercise as relevant fields for seeking an explanation for industrial conflict and peace, that is, institutions, politics and economy, and I analyze the theories that try to explain conflict by appealing mainly to one of these realms. During this tour I summarize the prominent theories at each realm, reveal their weaknesses by using the criteria developed in the previous chapter as reference. Then by using arguments borrowed from recent or relevant literature I resuscitate some parts of these theories and derive two pairs of competing hypotheses.

Now let us move to the first realm pointed out by the state-of-nature exercise and examine the theories that try to explain conflict by appealing mainly to institutions.
Institutions and Conflict

The most prominent theoretical framework which places institutions at the center of the analysis of conflict is Clegg’s theory of union behavior under collective bargaining (Clegg 1976). Clegg argues that differences in the industrial action patterns result from the changes in union behaviour which, in turn, can be explicated by appealing to the variations in the bargaining systems across countries (Clegg 1976:12). Indeed, it was initially Ross who specifically claimed that as the bargaining is centralized and unions are recognized, the likelihood of industrial action would decrease (Shalev 1992:28). Actually this idea of increasing institutionalization of industrial relations is also the basis of Ross and Hartman’s ‘withering away’ argument, which considers industrial conflict as a phenomenon that would gradually disappear as working class is integrated into the society (Hibbs 1978:153). The disappearance of conflict was also claimed by Kerr et al by appealing to the “common logic” of industrialization and institutionalization across countries (Kerr et al 1960:41-142) and this claim is asserted again almost three decades later in different forms (see Bellace 1994:21-24, Hanson and Mutler 1988: 27). However, for Clegg conflict remains inevitable in industrial relations like “in other social systems” and he claims that the higher the collective bargaining level is in a country, the lower will be the likelihood of industrial conflict (Clegg 1976:9). Indeed, the main accomplishment of collective bargaining as an institution for containment of conflict is considered to be its separation of industrial realm from the political one (Dahrendorf 1959:277, Taylor 1989:186, Ludlam et al 2003:609, Crouch 1993:37, see also Traxler et al 2001:174) and Clegg takes this for granted by pointing out that collective bargaining is not only an important factor but it is the “principal” factor in explaining union behaviour and conflict patterns (Clegg 1976:11). He attributes only a complementary role to the political action (Clegg 1976:116-117). Accordingly, he uses the collective bargaining structure as the main explanatory variable for explaining the conflict patterns (Clegg 1976:8). However, Clegg does not leave this variable unaccounted for: according to him the attitude and structure of employers’ organizations and management are the main influences shaping the collective bargaining structure (Clegg 1976:10). Thus, one may argue that in Clegg’s theory, in the last analysis, it is the employers who play the most crucial role in the formation and dynamics of collective bargaining institutions. However, the role attributed to the state by Clegg is rather limited: according to him
the state may influence the formation of bargaining structure only at "a sufficiently early stage" (Clegg 1976:10).

Since its publication Clegg’s theory has been severely criticized: For example, according to Cronin, it is a modernist account of industrial relations with evolutionist assumptions and liberalist overtones which assume “ultimate reconcilability” of conflict and equal power distribution among actors (Cronin 1979:25). Moreover, he also claims that “the peculiar rhythm” of industrial conflict with “its accent on discontinuity” is in sharp contrast with almost “continuous and quite linear” existence of institutions therefore, he argues that institutional explanations are weak in explication of conflict patterns (Cronin 1979:25). Similarly, according to Shalev and Korpi, “the minimum requirement” for establishing “a causal link” between institutions and industrial conflict is to show that changes in conflict patterns “closely follow” significant changes in institutions, a condition which they consider, is not satisfied in many countries (Shalev and Korpi 1979:167-168). Shalev criticizes Clegg also on the grounds that considering collective bargaining structure as the ultimate independent variable would preclude scrutinizing the changes occurring in this institution itself (Shalev 1980). According to Shalev and Korpi, institutions can only be intervening variables in explaining conflict patterns (Shalev and Korpi 1979:170). Shalev also points out that the same institutions may lead to different outcomes, a finding, which according to him, undermines the power of institutions as explanatory variables (Shalev 1980). Hyman, on the other hand, does not necessarily “deny that institutions are important” (Hyman 1994:177) but considers Clegg’s theory as an outcome of a misunderstanding resulting from the relative economic and political stability of the period in which it was formulated. Hence, he argues, there is the impression that institutions may sustain themselves independent from the context and thus, they may appear as if they are independent variables with distinctive influence of their own (Hyman 1994).

**Resuscitating Clegg’s theory**

Obviously, it is quite easy to criticize Clegg’s theory given that we are no longer living in the context in which it was constructed, where trade unions were “one of the most important actors shaping our future” (Clegg 1976:1). However, Clegg’s theory remains relevant for three reasons:
Firstly, both trade unions and collective bargaining as institutions, despite all the setbacks, proved to be resilient or crucial enough to remain alive even in the most severely neo-liberalized environments. Thus, it is important to scrutinize their possible role in the containment of conflict and Clegg’s theory provides some clues as to how to understand the link between conflict, collective bargaining and trade unions. Moreover, Clegg’s emphasis on the importance of the attitude of employers in formation of bargaining structures resonates quite well with the rather prominent position of employers in neo-liberal environments. Thus, Clegg’s theory provides some material to scrutinize the implications of intra-class tensions among employers for the inter-class conflict patterns. In other words, it is comprehensive enough to scrutinize all the dimensions of conflict derived from the state-of-nature exercise.

Secondly, at a higher abstraction level, if one considers Clegg’s theory as an attempt to explain a country-specific outcome by using institutional framework as the main explanatory variable, then it would be possible to see that recent institutionalist theories vindicate some of Clegg’s observations. For since the 1990s, contrary to the expectations of convergence among countries due to the pressure of increasing competition and the need for flexibility, countries retained their peculiarities, or more correctly, they responded to the common economic trends in accordance with the peculiarities of their institutional frameworks and thereby revealed that divergent responses to identical trends are possible, a theme which depicts the importance of institutions and is substantially scrutinized in the recent literature (Hall and Soskice 2001, Locke and Kochan 1996:365, Thelen and Steinmo 1992:5-6, see also Block 2007:4,9,12). In this respect, conflict studies, too, point out the importance of institutional difference. For example, Shalev in the 1990s, in an environment where declining strike propensity across countries was interpreted as convergence, revealed that what had taken place was, in fact, the contrary trend of increasing divergence (Shalev 1992:110). More than a decade later Scheuer still argues that, despite the overall decline in industrial conflict across industrialized world, “the substantial national differences which remain evident” require explanation and, although he is sometimes puzzled to discover that identical outcomes may be generated by substantially different institutions, he concludes that institutional divergence “may be judged to play a substantial role” in conflict patterns (Scheuer 2006:144-145).
Finally, new institutionalist literature not only reveals the persistent importance of institutions (Chang 1994:4) but it also allows making some adjustments to Clegg’s main argument and renders it applicable to contemporary circumstances. For example, Traxler et al reveal the fact that the level at which the bargaining is conducted is not necessarily the level at which it is coordinated and the difference between the two may have substantial consequences for the conflict dynamics (Traxler et al 2001: 144, see also Hall and Thelen 2006:28, Dell’Aringa and Pagani 2007). Similarly, new institutionalist literature in conjunction with the advances in industrial relations theory also provides a new way of understanding the change in institutions themselves which enables us to accommodate actors into the institutional frames without reducing institutions into mere intervening variables (Hall and Thelen 2006:4). For, as Kochan et al (1994) show, institutional frameworks in which actors operate are not entirely coherent, that is, they are not “tightly coupled” (Block 2007: 8) so that actors can make strategic choices, which may lead to changes in the institutions themselves (Hall and Soskice 2001:13). It is also argued that instead of considering institutional stability as “an outcome of inertia”, the continuity of institutions should be regarded as “an active process”: institutions continue to exist because they serve certain actors (Hall and Thelen 2006:4). Indeed, Thelen and Streeck argue that institutions may change radically in subtle ways so as to perform completely new functions which are sometimes in contradiction with the initial purposes (Streeck and Thelen 2005), and all this can happen without any apparent break in their “continuous and quite linear” existence (see Cronin 1979:25), a finding which, for example, explains the phenomenon, that is, how the same “looking” institutions may actually lead to different outcomes (see Shalev 1980) or vice versa (see Scheuer 2006:157).

Given these insights which show the continuing importance of institutions in political economy and point out new ways of understanding them, it is worthwhile updating the institutionalist theory of Clegg in order to use it in explanation of industrial peace in neo-liberal environments. For this purpose, it is essential to re-evaluate the core institution in Clegg’s theory, namely, the collective bargaining in accordance with the insights provided by neo-institutionalist arguments. This requires scrutinizing the processes, which may gradually transform the purpose and function of collective bargaining under the conditions of neo-liberalism. In this respect, the partnership relations between
employers and trade unions through which both sides can accomplish their mutually recognized interests while gradually converting collective bargaining into an institution which enhances competitive position of firms, deserves a special attention (see Edwards et al. 2006; Bacon and Blyton 2006; Lucio and Stuart 2005; Ashwin 2004; Terry 2003; Haynes and Allen 2001; Marks et al. 1998). Indeed, it is claimed that in neo-liberal environments where neither the state nor employers consider trade unions as crucial actors, establishing partnership with employers may become imperative for trade unions (Boxall/ Haynes 1997: 568-571, see Adaman et al 2007:3-4 and Cook 1998: 316). Thus, in order to make sense of Clegg’s theory in contemporary circumstances so as to account for industrial peace, we must re-evaluate the function and meaning of collective bargaining by examining the impact of the new\textsuperscript{42} partnership dynamics on this institution.

The rectified form

Indeed, by taking the neo-institutionalist insights, the state-of-nature exercise and the partnership dynamics into account, one may rectify Clegg’s theory as follows: in order to explain industrial peace in a neo-liberal environment it is essential to reveal the way in which bargaining and coordination levels contain inter-class, intra-class, internal conflict potentials. In line with Clegg, one should look at the employers as the most crucial actors in this respect and see whether they, in a particular neo-liberal environment characterized by interventions of the state which tries to ensure competitiveness and flexibility, are willing to or in need of manipulating and coordinating the collective bargaining so as to transform it into a form which is conductive to their interests. The state-of-nature exercise points out that to be able to comprehend the way in which collective bargaining may serve employers, one should not only analyze employers’ interests defined in the context of inter-class conflict but one should also identify intra-class interest differentiations among employers. After employers’ attitude towards particular modes of bargaining is established, one can scrutinize the way in which trade unions operate in this (neo-liberal) environment and form partnership relations which would render them valuable for employers. In this way one should uncover the active partnership processes through which the

\textsuperscript{42} Of course, partnership has always existed between employers and trade unions in some sense. But what is new is that in neo-liberal environments seeking partnerships with employers has become increasingly imperative for many trade unions.
interests of employers and trade unions are simultaneously served by the maintenance of industrial peace through certain modes of bargaining and coordination. It is quite likely that in neo-liberal environments where neither employers nor the state are too enthusiastic for cooperating with trade unions such partnerships would be employer-dominated structures. If for the sake of brevity one calls this entire process the neo-liberalization of collective bargaining, then the rectified form of Clegg’s theory can be put as a brief hypothesis as follows: In neo-liberal environments,

*Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of collective bargaining by employer dominated partnerships.*

However, this hypothesis (thus, Clegg’s theory in its rectified form) has some weaknesses: Firstly, it tries to explain containment of conflict only by the primary institutions (i.e., collective bargaining) and processes (i.e., partnership) of industrial relations and by the actions of the primary and organized actors (i.e., employers and unionized workers) to the extent that the role of the state is reduced to that of preparing the initial conditions. In other words, the state is expected to play the role envisaged by the neo-liberalism-in-theory, that is, ensuring competitiveness and flexibility in industrial relations by adopting a rather detached and pro-employer stand, which would force the organized labour to establish partnerships with employers. Thus, whether the state in neo-liberal environments may play a permanent and more balanced role in the conduct and coordination of collective bargaining remains obscure. Secondly, the neo-liberalization of collective bargaining through partnership between employers and trade unions assumed to take place smoothly without any resistance. Obviously, at least in extreme cases, one may expect some resentment from the involved workers. Finally, the focus on bargaining systems is relevant for the study of conflict in organized industrial relations but the fact remains that in neo-liberal environments quite often a substantial part of the employment relations takes place outside the formal bargaining structures. It is clear from the state-of-nature exercise that in order to contain industrial conflict in unorganized industrial relations, there should be more than just the free market. Obviously, the deduced hypothesis is not adequate for explaining the way in which the conflict potential in this segment of employment relations may be contained in neo-liberal environments.
Now let us establish another view of containment of industrial conflict by scrutinizing the second realm pointed out by the state-of-nature exercise, that is, politics, in order to derive an alternative hypothesis, which may rectify some of these weaknesses.

**Politics and Conflict**

The idea of “political exchange” (Pizzorno 1978) between organized labour and governments is the central theme of theories, which aim to connect industrial and political spheres in order to explain conflict patterns. Shorter and Tilly’s model (1974) which attributes political meaning to industrial conflict is a prominent attempt in this respect. This model considers industrial conflict as a manifestation of the ongoing struggle of working class for political control (Cronin 1979:31-32, Bean 1994:146). Indeed, this claim appears robust enough to be repeated by Halperin three decades later (Halperin 2004:284). The core of the argument is that as the labour is provided with the opportunity to solve the important issues in the political arena, the need for using industrial action as an instrument of pressure would decline (Shorter and Tilly 1974:317). However, as Shorter and Tilly recognize there are some institutional prerequisites for this to happen such as a strong worker organization, which would act as “the intervening variable” (Hyman 1994) between political action and industrial conflict. The “intimate ties” between economic and political conflict are also explored by Korpi and Shalev who argue that despite the superior position of employers in a capitalist society working class, too, may acquire power both in industrial and political spheres: in the former by the increasing integration of labour movement and in the latter by the “electoral strength” and the unity of leftist political parties (Korpi and Shalev 1979:169-170). According to Korpi and Shalev as “the political alternative” becomes available for labour in the form of participation in the government and so long as economic performance of the country allows, it is possible to establish industrial peace by shifting the conflict from industrial to political arena (Korpi and Shalev 1979:170-180). Another variant of the political exchange theme is provided by Hibbs who explores the possibility of “shifting the distributional conflict”, which he considers as the basis of industrial conflict, “away from private market place relations” (Hibbs 1978:154) by acknowledging “the industrial relations-welfare state nexus” (Sbragia 2004:244). He argues that when the leftist parties
rule a country typically a large fraction of national income would be devoted to “social wage” in the form of “collective consumption and public transfers”, then the “market wage” will be much less important for the well-being of workers. In such an environment the competition and struggle among political parties in “the electoral arena” will replace the collective bargaining and industrial conflict, that is, the typical instruments designed to cope with the dynamics of the market (Hibbs 1978:165).

What is puzzling about political exchange models is that the causal connection, which they claim to exist between the political orientation of governments and conflict patterns, seems to have been severed during the last two decades of the 20th century. Perhaps this is not surprising given that during this period the institutional prerequisite of political exchange, that is, a strong labour movement became a rarity in many neo-liberal environments. However, regardless of this common trend, Shalev himself admits that, the theory developed by him and Korpi does not make sense after 1980 (Shalev 1992:112): for example, in New Zealand despite the leftward shift in the government, the strike activity did not decrease or in Japan apparently with no change in the political composition of the government, the conflict patterns have fundamentally shifted (Shalev 1992:111). Obviously, these observations also undermine Hibbs’ model (1978), which, too, envisages a link between the ideology of governing parties and the industrial action patterns. Moreover, the connection between industrial relations and welfare states has also been “frayed” in some countries “which were considered exemplars” of that connection (Sbragia 2000:244) but significant shifts in the conflict patterns seem to be not noticed (see Sheuer 2006). In fact, none of the political exchange models are capable of explaining the case of Germany, an important advanced political economy with apparently peaceful industrial relations in the 1970s with no left involvement in the government (see Korpi and Shalev 1979:183).

Besides these empirical setbacks there are two important theoretical weaknesses of the political exchange models:

Firstly, these theories do not address all the dimensions of conflict derived from the state-of-nature exercise. It is clear that the daily dynamics of effort bargaining at workplace level as one of the primary sources of industrial action are not addressable in the political arena. In this sense, regardless of what is exchanged in the realm of politics, there
should always be some control and/or reconciliation mechanisms, which would prevent this primary conflict potential from igniting industrial action. Consequently, there is always a need for an institutional supplement (other than the usual assumption of strong organized labour) to the political exchange models, which should explicate the way in which the non-political conflict potential is absorbed (Bean 1994:146). Similarly, the intra-class dimension of conflict is not addressed either. For these models typically ignore the organizational requirements of employers’ side for existence or continuation of the political exchange and they do not explore how political exchange is linked with the intra-class conflict among employers or with the short and long term interest maximization.

Secondly, the political exchange theories appeal to a rather vague notion of political power (Shalev 1979:484) without presenting any explicit theory of the capitalist state (Bean 1994:150), with the consequence that the question of whether there are upper and lower limits of what can or must be exchanged politically between capital and labour (and the state) remains unexplored. Indeed, the state in political exchange models, despite its prominent role in neo-liberal environments, appears not as an actor but as mere executive capacity, which can be partly or completely captured and used by any political party through electoral process without any structural limitation.

Resuscitating political exchange models

However, despite all these setbacks the political exchange models may still provide some useful insights, for they show the way in which the impact of democracy on industrial relations can be operationalized by making elections relevant for conflict dynamics. Given the importance of democracy or democratization in neo-liberal environments one should try to make use of the political exchange theories by supplementing them with other arguments from the literature. In this respect, connecting the political exchange models with the political cycles literature by using the

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43 For example, there is no theoretical leverage in the political exchange models to show that the idea of “evolutionary socialism” which considers gradual replacement of capitalist system with socialism through electoral victories of Social Democratic parties as viable, is not to be taken very seriously (Burawoy 2003:209,229, see also Wright 2000:992-995, Block 2007:10).
studies of Hibbs in both of these fields as a linking instrument may be a good strategy.

Scholars of political cycles, among whom Hibbs is prominent, focus on the possible influence of the changes in the politics on the economic performance of democratic countries by scrutinizing the cyclic movements in economy triggered by elections (Nordhaus 1975, Tuft 1978, Alt & Chystal 1983, Hibbs 1987, Alesina & Rosenthal 1995, Keech 1995, Hallerberg & De Souza 2000, Shi & Svensson 2002). There are two variants of the political cycles theory: the idea that regardless of their ideological orientations, all governments try to manipulate the economy prior to elections in the same way leads to opportunistic cycles variant (Nordhaus 1975, Tuft 1978) while taking the ideology more seriously and assuming that political parties would act within the confines of their principles yields to partisan cycles approach (Hibbs 1987, Alesina & Rosenthal 1995). Apparently, Hibbs subscribes to the partisan cycles idea both in his work in the political cycles literature and in his political exchange model. In fact, theories of Korpi and Shalev (1980) or Shorter and Tilly (1974), which are explored above, are also compatible with the idea of partisan cycles given the importance they attribute to the leftist parties’ involvement in government.

However, taking the other route (i.e., adopting the opportunistic cycles approach), that is, arguing that all governments, regardless of their political orientations, would behave in the same way prior to elections may allow us to rectify the essence of political exchange school as follows: under the conditions of democracy there is a regular exchange between capital, labour and the state which occurs regardless of governments’ ideology and is crucial for industrial conflict dynamics. Obviously, this insight is meaningful only after making the core assumption of the political exchange models explicit, that is, the state\footnote{It is worthwhile reiterating that government, in this study, is understood as the body that runs the state and makes decisions on its behalf, whereas the state is, following Weber, “the set of organizations invested with the authority to make binding decisions for people and organizations juridically located in a particular territory and to implement these decisions using, if necessary, force” (Rueschemeyer & Evans 1985: 46-47). Having this in mind, sometimes I use the words the state and government interchangeably.} is the most powerful actor in organized industrial relations who is capable of playing a permanent and crucial role in conflict dynamics through some institutional mechanisms.
Indeed, this state-centered view may be further elaborated by focusing on the democracy factor, which is used by both political exchange and political cycles models and shown in the first chapter to be one of the characteristic features of all neo-liberal environments. Elections, as the key institution of democracy, can be considered as regular events, which through their influence on the state impose a cyclic twist to the temporality of industrial relations, that is, the regularity of elections may render governments permanently sensitive to societal responses. One may expect this sensitivity to increase as elections approach\(^45\). If one recalls the claim that any political project such as neo-liberalism aiming to establish free market would eventually trigger some reactions due to the resulting negative externalities (Munck 2004) then one may hypothesize that in a democratic environment the position of the state may be influenced by societal reactions (see Buğra 2007b:3) against the neo-liberalization of industrial relations which gives precedence to employers’ interests. Given that the majority of electorate would consist of wage earners rather than employers, one may expect the societal responses to render the state to be more receptive towards demands of wage earners. The implication is obvious: since the power is a relational phenomenon and elections may gradually change the way in which the state uses its influence as the most powerful actor (i.e., becoming at least temporarily more receptive towards the concerns of wage earners), one may expect this to alter the power distribution among other actors with some consequences for conflict dynamics. Indeed, these insights may be reformulated as a hypothesis: In neo-liberal environments,

*Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.*

This hypothesis is obviously quite different from the previous one which, while attributing rather minimalist role to the state, envisaged that industrial conflict would be contained by the manipulation of collective bargaining through employer dominated partnerships between employers and trade unions, that is, by the neo-liberalization of collective bargaining. For the sake of analytical clarity these two hypotheses, both of which focus on the organized industrial relations and consider

\(^{45}\) Perhaps this impact can be imagined as a curve, which is gradually increasing until elections and suddenly decreasing afterwards just to start the gradual increase once again.
bargaining and coordination levels as crucial for containment of industrial conflict but differ in the way in which they treat the state, may be posed as competing alternatives\textsuperscript{46} as depicted in the figure 4.1.

**Figure 4.1: Competing pair of hypotheses to explain the peace in organized industrial relations**

<table>
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<tr>
<th>Excluding the State</th>
<th>Focusing on the State</th>
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<td><strong>&lt;i&gt;a&lt;/i&gt;</strong></td>
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<tr>
<td>Organized industrial relations</td>
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<tr>
<td>(Bargaining and Coordination levels)</td>
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<tr>
<td>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships</td>
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<tr>
<td><strong>&lt;i&gt;b&lt;/i&gt;</strong></td>
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<tr>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination</td>
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Obviously, the containment of industrial conflict in unorganized industrial relations, which quite often accounts for a large segment of the labour market in neo-liberal environments, is not addressed by either of these hypotheses. However, the main insight provided by the political cycles and political exchange models, that is, the public (or perhaps more correctly, the voters) and the state have regular impact on the conflict dynamics through elections may also allow scrutinizing the mechanisms, which contain the industrial conflict in unorganized industrial relations. For the fact that in neo-liberal environments quite often a large segment of workers is not covered by formal bargaining institutions but in principle, due to prevalence of democracy or democratization, everybody is enfranchised, may be used to capture the dynamics of conflict in employment relations, which are not regulated by the formal bargaining institutions. However, in order to accomplish this it is essential to reveal how issues related to unorganized industrial relations may be related to the choices of the public and the state. One may seek new conceptual tools for this purpose by examining the theories, which focus on the third realm indicated by the state-of-nature exercise, that is, economy.

\textsuperscript{46} Of course, this analytical preference should not rule out the possibility that these two hypothesis may appear as a sequence in a particular historical setting in the sense that first one leads to the second one. Obviously, the format of competing hypotheses while not discarding this possibility renders empirical examination easier.
Economy and conflict

Scrutinizing the economy in order to find out independent variables for explaining industrial action patterns has created another strand in the theorization of industrial conflict. However, due to the vastness of the literature it is not possible to cover all the variations of this theme in detail nor is it possible to tell the whole story for any of the variations. Yet it is still possible to examine the prominent theories and to point out the explanatory variables they consider crucial so as to attain a general critique of economy-based approach to industrial conflict.

The most prominent “middle-range” theory belonging to this category (Kelly 1998:20) claims that the economic prosperity and conflict propensity are linearly associated\(^47\). Quite often substantiated by econometric analysis and “the ritual of significance test” (Franzosi 2004:230), this argument presents trade union membership as the inverse function of unemployment and thereby provides an answer to conflict propensity by implicitly conditioning industrial action on the existence of formal mobilization capacity of workers. In this way, it attributes a crucial role to the unemployment level for explanation of industrial conflict and peace\(^48\).

There are three more important middle range arguments: the first one, by mainly pointing out Germany, claims that the export-oriented economies do not generate industrial conflict (Bean 1994:139) and the second one argues that the occupational composition of an economy determines its conflict propensity, more explicitly, the increasing heterogeneity in employment is claimed to have negative impact on the likelihood of strikes. Finally, the third one, which may be named as “neo-liberal offensive” argument (Thelen and Wijnbergen 2003:896), claims that the relative mobility of production factors is the key to understanding the industrial relations dynamics: the increasing mobility of capital vis-à-vis labour imposed by neo-liberalization is claimed to have rendered workers too powerless to revolt.

\(^{47}\) There is also a more “sociological” but less prominent approach which connects economy with industrial action in reverse order: once economic hardship is unbearable for workers due to economic crisis, one may expect an increase in the frequency of industrial action (Franzosi 1995).

\(^{48}\) Inflation, too, is considered important but its implications are much less straight forward.
Besides these middle range arguments there is another economy-based model, that is, the expectation function approach which was formulated more than three decades ago (Ashenfelter and Johnson 1969). Although this model which considers the miscommunication as the source of industrial action appears to be outdated, it is relevant for neo-liberal environments due to its resemblance to more recent HRM accounts of conflict which also reduce the conflict into a communication problem (Jackson 1991:219-224, see Blyton and Turnbull 1998:23). The basic argument is that if one of the actors involved in employment relationship does not understand the limits of what is possible for the other actor in terms of wages, then industrial conflict, that is, strike or lock-out, occurs. Thus, the core of the issue is claimed to be the adjustment of expectations according to economic circumstances.

Finally, there is a more sophisticated and recent version of the economy-based conflict theories, which is devised by Kelly (1998). This theory explains the patterns of industrial actions, especially strikes, by appealing to the shifts between long periods of upward and downward swings in capitalist economy, that is, the long waves of growth and contraction whose existence was first claimed by Kondratieff (Kelly 1998:86).

There are many problems with the economy-based approach to industrial conflict; first of all, the middle range econometric models leave many dimensions of conflict, which may trigger industrial action unexplored. For due to methodological reasons they only focus on the wage-bargaining (Cronin 1979:30, Blyton and Turnbull 1998:17) and thus, ignore its organic relation with the effort-bargaining as a potential source of conflict, neither do they scrutinize the intra-class conflict or the tension between the long and short term interest maximization. Secondly, purely-economy based theories are incomplete in their exposition of the conditionality of their claims since quite often they have implicit institutional assumptions (Bean 1994:152-153, see also Western 1997:4,11). For example, their most important finding, namely, the unemployment is negatively correlated with strikes due to its negative impact on trade unions, requires an institutional supplement to remain

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50 Indeed Cronin two decades before Kelly has already emphasized the importance of adopting a long term perspective in explanation of industrial conflict and he, too, pointed out Kontradieff cycles as a possible connection between economy and industrial relations (Cronin 1979:38-40).
valid, besides the obvious assumption that trade unions must exist: for as Visser argues, unemployment may affect union membership (and thus, the capacity of launching industrial action) only if the legal framework allows selective employment and the job security is low⁵¹ (Visser 1994: 86-87, see also Western 1997:11, Shalev 1992:115). Similarly, the claim that export-orientation decreases the conflict propensity is considered to be very weak unless it is reinforced by some political and institutional arguments, which reveal the way in which the conflict potentials indicated by the state-of-nature exercise are contained (see Korpi and Shalev 1979:184). Indeed, the conflict history of New Zealand depicts that the export dependency does not always reduce the likelihood of industrial conflict.

However, focusing on export-dependency is not useless for this approach illustrates the weakness of ‘the neo-liberal offensive’ claim (which points out the mobility of capital as the source of industrial peace): for increasing export dependency under certain institutional conditions may be a factor, which enhances workers’ ability to get organized and acquire collective action capacity despite hostile employers due to the latter’s inability to afford disruptions in the production of goods to be exported (Thelen and Wijnbergen 2003).

The other middle range argument, which points out the increasing heterogeneity of employment as the cause of the decline in industrial action due to its negative impact on unionization prospects, is also contestable. Actually, contrary to the prevalent myth, there has never been a homogenous working class (Halperin 2004:289). In this respect the unexpected and successful industrial action of very heterogeneous immigrant service workers in 1990 in the very neo-liberal environment of the US (Milkmann 2006:1-3) or the collective action among the informal female workers in Mexico after the earthquake of 1985 (Wale and Hills 2007:461) should be a warning against any quick generalization as to the collective action potential of ‘unorganizable’ workers of any kind.

It is not only the middle-range arguments relying on economic factors, which are weak. The more sophisticated ‘wrong expectation’

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⁵¹ In fact it is important to note that in retrospect, one can see that the link between unemployment and industrial action is not as strong as once believed: although increasing unemployment is indeed negatively correlated with strikes, the decreasing unemployment appears not to be associated with increasing strike frequency (Scheuer 2006:144-145, Shalev 1992:115,125).
argument, too, is not very strong. It provides only a half-story for it explores neither the reference conditions used by workers and employers to shape expectations nor does it reveal the way in which and how fast expectations or references would be adjusted to economic conditions. It is important to mention that the other link between economy and conflict propensity, that is the proximity between the economic cycles (of various lengths) and conflict patterns has also been challenged: Shalev (1992) argues that strike patterns were already decoupled from business cycles in the second half of the 20th century. Perhaps more importantly the very existence of Kondratieff cycles "has not been demonstrated convincingly" (Reijnders 1988: 66-67, see also Mandel 1995: viii).

Obviously, all this criticism should not make us loose the sight of the fact that 'economy matters' for the dynamics of conflict in industrial relations: particularly export-dependency (Bean 1994:213), the level of competition (Blyton and Turnbull 1998:13-14, 35) and the nature of unemployment 52 (Hibbs 1979:157) prevailing in a neo-liberal environment are factors to be taken into account in explanation of industrial peace. Indeed, one should scrutinize the impact of these factors on different actors in order to account for their strategies and in order to establish the exact content of neo-liberalism emerging in a particular environment as "a reactionary creed" (Peck 2008:4). However, the problem with the economy-based theories is that they are not capable of revealing why, how, when and for whom these factors matter without being reinforced by other theories which appeal to institutions or politics (Western 1997:4). Thus, the economy-based theories should be used as complementary theories rather than core explanations in order to account for industrial conflict and peace in neo-liberal environments.

52 The nature of unemployment can be understood in three different ways: i) whether the prevalent form of unemployment in a political economy is long-term or short-term ii) which particular group or groups are more unemployed, that is, age, gender and perhaps also ethnicity composition of unemployment iii) the fear that unemployment may create, that is, the degree to which the legal framework provides protection against unemployment either in the form of job security or in the form of unemployment benefits. Obviously, all these representations of unemployment are to be taken into account in order to establish the nature of unemployment in a particular political economy.
Resuscitating Kelly’s theory

Kelly’s mobilization theory, however, despite its emphasis on the dubious link between Kondratieff cycles and industrial conflict, requires a special attention. For it, according to Johnson and Jarley, provides a new perspective for looking at conflict dynamics in the era of neo-liberalism where, due to “union decline”, the relevancy of “mainstream industrial relations” based on the analysis of “collective bargaining and its associated institutions” is not always relevant (Johnson and Jarley 2004:543). In this respect, Kelly introduces the notion of “feeling of injustice” into the lexicon of conflict theory (Kelly 1998: 42) and considers workers' ability to “attribute the blame” of an unjust situation to an agency, for example, to employers, rather than to structural conditions as the prerequisite of industrial conflict (Kelly 1998: 30, 44). According to Kelly as long as some leaders at workplace level “convert” the perception of injustice into the group cohesion, “there is no need for a union” for industrial action to appear (Kelly 1998: 50-51). In this way Kelly refuses the basic institutional prerequisite of the economy based theories and thereby provides a clue as to how to understand containment of conflict in unorganized industrial relations.

However, Kelly’s theory has a crucial weakness: the feeling of injustice seems to be reserved only for workers while both the state and employers are considered to be devoid of any such perceptions. Consequently, the state is portrayed as an agent of accumulation who secures this end only through coercion or deception. However, as Gramsci points out, it is not possible to manufacture consent without some real concessions, and Hyman, too, argues that without addressing the real causes of industrial conflict, pure coercion would only change the way in which the dissidence is manifested (Blyton and Turnbull 1998:310). Similarly, since Kelly does not recognize the importance of some other actors like consumer groups, NGOs and international networks on the dynamics of industrial relations, he also fails to point out the possible implications of the feeling of injustice perceived by these new actors.

However, despite these setbacks in Kelly’s theory it is possible to utilize his concept of the feeling of injustice in explaining containment of industrial conflict in unorganized industrial relations. For this purpose, it is useful to recall the claim that any political project such as neo-liberalism aiming to establish the free market would trigger reactions,
which tries to contain the resulting negative externalities (Munck 2004). In the literature there are, in fact, two distinct arguments as to the agency, which is expected to lead the reaction against neo-liberal measures. Both of these arguments may be used to operationalize Kelly’s concept of injustice in order to generate hypotheses as to the containment of conflict in unorganized industrial relations:

Firstly, Kelly’s concept of injustice may be utilized in line with the idea proposed by Munck (2004) and Burroway (2003) that in the age of contemporary neo-liberalism one should consider non-state actors as the main agency of reaction against neo-liberalism. Having this in mind, it is possible to argue that the industrial conflict in unorganized industrial relations may be contained because of the injustice felt by some new actors, like consumer groups and NGO’s and international networks which leads to direct involvement of these actors in industrial relations. Against this background one may claim that these new actors as “global networks of resistance against social and economic injustice” (Hale and Wills 2007:454,465-467) may correct the most excessive injustices occurring in unorganized industrial relations and in this way they may prevent the conflict potential from being ignited. Of course, whether this amounts to effective resistance against neo-liberalism is doubtful. For the emergence and activities of these actors may also be seen as part of the process of “the transfer of social responsibilities to non-state actors involved in diverse partnerships with public authorities” which encourages “social participation in market reforms” and ensure “governability in a market-dominated economic order” (Buğra 2007a:176-177). From this perspective, the new actors in industrial relations may be seen as working towards the sustainability of neo-liberal project by preventing industrial conflict, which may be ignited by the excessive injustice felt by workers. However, (given that this study aims to find out the causes of industrial peace) whether the activities of new actors amount to serving or resisting the neo-liberal project does not matter from the perspective of conflict containment. The essential question is that whether corrective actions such as initiation, enforcement and monitoring of private labour regulations by non-state actors (see Baron and Diermeier 2007:601, Jones et al 2007:60, Bethoux et al 2007:77) may really contain industrial conflict in unorganized industrial relations. Of course, in order to consider non-state actors as responsible for industrial peace, what needs to be empirically established is the degree to which they operate independently without being
involved in intended or *de facto* partnerships with public authorities. Having all these in mind, one can deduce the following hypothesis from Kelly’s concept of injustice:

*Industrial conflict in unorganized industrial relations is contained by the correction of injustices by non-state actors, that is, NGO’s, consumer groups and international networks.*

Secondly, Kelly’s concept of injustice may also be utilized in line with the idea that the reaction against the neo-liberal measures may be in the form of societal response. Indeed, this idea allows us to reinforce the arguments developed in the previous section by using the concept of injustice: the political exchange and political cycle arguments introduce the state, the public and the democracy into the picture and allow to link unorganized industrial relations with the entire political economy by appealing to the electoral power of workers employed in the unorganized field. However, in this general picture there is no instrument to be used to reveal how exactly the elections (or democracy) might influence the conflict dynamics by affecting the choices of the state and voting behaviour of workers in unorganized industrial relations. Kelly’s concept of injustice may answer this question: in order to sustain industrial peace the feeling of injustice perceived by worker-voters who are employed in unorganized industrial relations must be manipulated by some mechanisms in order to prevent the blame of injustice from being attributed to their immediate employers. Instead such mechanisms should render the governments directly or indirectly responsible for the injustice. Thus, if one can reveal the institutional mechanisms which lead to the attribution of the blame of injustice to the state rather than to employers then it is possible to claim that this mechanism reduces inter-class conflict potential in unorganized industrial relations by motivating workers to tackle the injustice not at the workplace by confronting their immediate employers but in the political arena as voters by making demands from the state. This idea may be briefly put as a hypothesis as follows:

*In unorganized industrial relations direct or indirect attribution of the blame of injustice to the state rather than employers (i.e., exportation of conflict into the realm of politics) contains the industrial conflict.*

Indeed, quite similar to the first pair of hypotheses mentioned in the preceding sections, these two hypotheses, too, while trying to account for the same phenomenon, that is, industrial peace in unorganized
industrial relations, by using the same conceptual device (the feeling of injustice), differ in the way in which they treat the state: while the first one excludes the state the second one considers it crucial. Hence for the sake of analytical clarity, these two hypotheses, too, just like the previous ones, may be posed as competing alternatives as depicted in figure 4.2.

**Figure 4.2: Competing pair of hypotheses for explaining the peace in unorganized industrial relations**

<table>
<thead>
<tr>
<th>Unorganized industrial relations</th>
<th>Excluding the State</th>
<th>Focusing on the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>(The feeling of injustice)</td>
<td>Il a</td>
<td>Il b</td>
</tr>
<tr>
<td></td>
<td>Industrial conflict is contained by the correction of injustices by non-state actors (NGO’s, consumer groups and international networks)</td>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers</td>
</tr>
</tbody>
</table>

**Conclusion: A Typology**

Since the examination of the theories focusing on the three main realms indicated by the state-of-nature exercise is completed, it is appropriate to draw a general picture of the deduced hypotheses in order to establish a typology and to point out the remaining gaps.

Two hypotheses were deduced regarding the containment of industrial conflict in organized industrial relations where both employers and workers are organized and these hypotheses are, for the sake analytical clarity, posed as competing alternatives:

**hypothesis Ia:** The manipulation and coordination of collective bargaining by employer dominated partnerships, that is, the neo-liberalization of collective bargaining, contains the industrial conflict, and

**hypothesis Ib:** The pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination contains the industrial conflict.

It is clear that both of these hypotheses consider the bargaining and coordination levels as crucial for containment of industrial conflict, but differ in the way in which they treat the state: while **hypothesis Ia**
attributes a minimal role to the state, hypothesis Ib treats the state as the most influential actor.

Similarly, two hypotheses were derived regarding the containment of industrial conflict in unorganized industrial relations where at least workers are unorganized and quite often informally employed. These two hypotheses are also presented as competing alternatives:

hypothesis IIa: the correction of injustice by new actors, that is, NGO’s, consumer groups and international networks may contain the industrial conflict and

hypothesis IIb: direct or indirect attribution of the blame of injustice to the state rather than employers contains the industrial conflict.

Obviously, once again both of these hypotheses are derived from the same idea, that is, the feeling of injustice among workers, which remains unchecked in unorganized industrial relations is the essential ingredient, which triggers industrial action. However, like the previous pair these two hypotheses, too, differ in the way in which they include the state into the explanation: while hypothesis IIa excludes the state, hypothesis IIb attributes a crucial role to it.

Figure 4.3: A typology for containment of industrial conflict

Excluding the State  Focusing on the State

<table>
<thead>
<tr>
<th>I a</th>
<th>Industrial conflict is contained by the neo-liberalization of collective bargaining, that is, the manipulation and coordination of bargaining by employer dominated partnerships.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I b</td>
<td>Industrial conflict is contained by the pro-worker interventions of the democratic state (which is sensitive to societal reactions) in the bargaining and its coordination.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II a</th>
<th>Industrial conflict is contained by the correction of injustices by non-state actors (NGO’s, consumer groups and international networks).</th>
</tr>
</thead>
<tbody>
<tr>
<td>II b</td>
<td>Industrial conflict is contained by direct or indirect attribution of the blame of injustice to the state rather than employers.</td>
</tr>
</tbody>
</table>
Given that each of these two pairs of hypotheses are differentiated according to the same principle, that is, excluding the state or focusing on the state, one may present them in a matrix as depicted in figure 4.3 for creating a typology for containment of industrial conflict in neo-liberal environments which spans entire industrial relations. The rows of the matrix, in line with the outcome of the review, divide industrial relations into two fields as organized and unorganized industrial relations, and illustrate the main analytical tools developed to understand these fields within parenthesis. The columns of the matrix, on the other hand, point out whether or not the state is included as the main actor in the explanation.

There are four weaknesses in this typology: Firstly, the column-wise differentiation is too sharp. Probably unlike in the matrix (and in the review) the involvement of the state in bargaining dynamics of organized industrial relations is a matter of degree rather than a choice of absence or presence. Similarly, the management of the feeling of injustice generated in unorganized industrial relations is not necessarily a question of either correction by new actors or manipulation by the state as indicated in the figure. In reality both of these mechanisms may be playing a role. Secondly, the row-wise differentiation in the matrix is also problematic because it clearly indicates a major gap in the conflict literature: while the division of industrial relations into two fields as organized and unorganized is an empirical fact which is observable in all neo-liberal environments, there is no argument in the literature as to whether this very division might be one of the mechanisms of containing industrial conflict on both sides of the division line. Thirdly, although the hypotheses placed in the second column of the typology both focus on the state in their explanations, they are not connected with a unifying logic which may allow understanding the role of the state in containment of industrial conflict at a higher abstraction level in order to form a general theory. Finally, the hypotheses in the typology are deduced on theoretical grounds by referring to the generic empirical picture of neo-liberal environment without making direct and explicit references to concrete historical circumstances of neo-liberalism. Thus, one may question whether they make sense under concrete historical conditions.

From a methodological perspective, the first two of these weaknesses, that is, the sharp divisions created by the row and column-wise differentiations are useful. For in this way one obtains an ideal typology containing four views to be tested by empirical inquiry through
a clear method, that is, testing competing alternatives at each row against
the same empirical reality not only in terms of their content but also in
terms of the validity of their vertical pair-wise distinctiveness. The
empirical inquiry would also reveal whether there is any functional
meaning of the division of industrial relations into organized and
unorganized fields for the containment of industrial conflict. In other
words, the validity and meaning of the differentiations imposed by the
typology would be clarified by the empirical inquiry.

On the other hand, the third weakness, that is, the absence of any
unifying logic for the role of the state in organized and unorganized
industrial relations, is more substantial and has been one of the main
gaps in the industrial relations literature. Obviously, filling this gap would
be imperative for this study only after both of the state-centered
hypotheses in the typology (i.e., those in the second column) are,
empirically shown to be more fundamental explanations than the ones in
the first column.

Finally, tackling the fourth weakness of the typology, that is, the
lack of direct reference to historical circumstances is possible only by
revealing (as part of the empirical inquiry) that the hypotheses in the
typology are also relevant in concrete historical circumstances of neo-
liberalism.

In the following chapters, I empirically examine this typology by
using Turkey's metal and textile & clothing sectors as test grounds and
show that indeed the state-centered hypotheses placed in the second
column are better explanations, and only then, I engage with the problem
of finding a unifying logic by using O'Connor's idea of accumulation
/legitimation dilemma and establish a general theory. Before
commencing the empirical analysis of each pair of competing hypotheses,
however, I show that they are also relevant in concrete historical
circumstances.