

Once a CME, always a CME?

The influence of global finance on industrial relations in Slovenia

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Abstract

This thesis will examine how the institutions in Coordinated Market Economies are affected by their integration into the global financial market. Thereto, it will look at the changes and continuities that took place in Slovenia's industrial relations, after Slovenia abolished capital controls on its road to EU membership. Previous research has only studied particular segments of industrial relations (e.g. social pacts, wage determination, or codetermination), and therefore takes an atomistic view. By developing a multi-level framework to study industrial relations, this thesis is able to offer a holistic view of the sphere of industrial relations. Process-tracing will be applied to the period after Slovenia started negotiations with the EU, incorporating both qualitative and quantitative data. The findings can lead to a better view of the effects of financial globalization on industrial relations, and can be applied to other institutional spheres and other CMEs.

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“The divorce between ownership and the real responsibility of management is serious within a country, when, as a result of joint stock enterprise, ownership is broken up among innumerable individuals who buy their interest today and sell it tomorrow and lack altogether both knowledge and responsibility towards what they momentarily own. But when the same principle is applied internationally, it is, in times of stress, intolerable – I am irresponsible towards what I own and those who operate what I own are irresponsible towards me.”

John Maynard Keynes – National Self Sufficiency (1933)

1. Introduction

After becoming independent in 1991, Slovenia became a peculiar case of what in the Varieties of Capitalism literature is called a Coordinated Market Economy (CME). Contrary to other countries in state-socialist Central and Eastern Europe, workers enjoyed a strong position in state-owned companies. After Slovenia's transition to capitalism the position of organized workers and the role of newly emerging trade unions led to the establishment of a neocorporatist configuration of industrial relations. At the shop-floor workers maintained a strong participatory role, and at the macro-level tripartite decision-making was established through the conclusion of social pacts and the formation of a Social and Economic Council. Over time a third level of coordination emerged through the establishment of corporatist bargaining at the sectoral level.

The preconditions for the institutionalization of neo-corporatist industrial relations were set by a process of privatization that kept foreign investors at bay. Companies were partly sold to workers and managers, and partly were obtained by state funds. Subsequently, investment barriers were established that prevented the takeover of companies by foreign investors. Instead of growth based on foreign direct investment, as was the case in other post-socialist states in Central and Eastern Europe, Slovenia's sustained economic growth was largely fueled by domestic bank credit (Drahokoupil, 2009; Bohle & Greskovits, 2012).

Slovenia's closed economy rapidly opened its borders to the outside world, when it started negotiating accession to the European Union in 1997 (Bole, 2004). As part of the *acquis communautaire* it had to remove its investment barriers and give up its own exchange rate policy. This led to an increasing integration of Slovenia's market economy into the global financial market, through an increasing dependence on foreign direct investment. Over the

course of a decade Slovenia's growth model started to change from one based on patient capital to one based on foreign direct investment (Pal, 2013). Thus, a rapid integration of Slovenia into the global financial market has taken place.

Some authors have researched the influence of financial globalization on the industrial relations of a CME (e.g. Whitley, 1998; Bohle & Greskovits, 2012; Drahokoupil, 2009). They come to different conclusions about its effects. Some expect national institutions to be highly resilient, because of path-dependent processes that emerge from them. Others expect changes to be far-reaching, because of the growing dominance of the financial sphere over other institutional spheres. Slovenia is an interesting case to study the effects integration into the global financial market has on other institutional spheres. Because industrial relations and the financial sphere are shown to be highly complementary to each other (Hall & Gingerich, 2009), industrial relations forms an excellent starting point for such a research. The main question of this thesis therefore will be:

What is the effect of integration of a Coordinated Market Economy in the global financial market on industrial relations at the macro-, meso-, and micro-level?

1.1 Theoretical relevance

1.1.1 The multi-level approach

New research can make a contribution to the existing body of knowledge in multiple ways. Authors who researched institutional change have often analyzed the levels of which the system of industrial relations consists separately. Political scientists have mainly focused on the macro- and the meso-level, while management researchers have predominantly focused on the micro-level. Thereby, they have essentially treated the system of industrial relations as a

sum of its parts. Since the Varieties of Capitalism literature expects institutional systems to have emergent properties that don't fit with reductionist explanations, it is necessary to provide a holistic account that incorporates different levels of industrial relations (Rueda & Pontusson, 2000).

Moreover, studying these different levels might bridge the divide between political science and management research. While Varieties of Capitalism is an interdisciplinary approach, much of the literature on institutional diversity fails to transcend the disciplinary divide. While staying within the limits of a discipline has the potential of a more in-depth understanding of a particular topic, it reduces problem-solving capacity by making it more difficult to get a complete picture (Klein, 2010). It therefore is advisable to combine insights from different disciplines in order to come to a broader understanding of the topic.

In this thesis, I will contribute to solving the two aforementioned problems by applying a multi-level approach to the system of industrial relations. Looking at the macro-, the meso-, as well as the micro-level offers a holistic picture of this system. A broader perspective can be offered to what financial globalization means for these levels and for the system of industrial relations as an aggregate. The multi-level approach makes it necessary to incorporate insights from outside of the scope of political science. Therefore, this thesis also contributes to increasing interdisciplinarity.

1.1.2 Institutional changes and continuities

Political science over the past few decades has extensively studied the effect of globalization on institutions. A range of approaches has developed that makes widely different predictions. These approaches find a common ground in the idea of institutional diversity. Different

countries from this point of view are characterized by distinct sets of institutions. The main distinction that has been made in the Varieties of Capitalism literature is that between Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs) (Hall & Soskice, 2001). CMEs being characterized by relatively cooperative relations between actors involved in the process of production, while LMEs are characterized by more cut-throat competition between firms. While LMEs seem to be relatively compatible with a global environment in which neoliberal competition is the norm, CMEs operate under a different norm (Jessop, 2002).

A problem of the Varieties of Capitalism literature is that it suffers from an inherent functionalism (Howell, 2003). It depicts institutions as generating a self-sustaining equilibrium. In case of disturbances the structure will automatically repair itself, without applying major changes. This makes Varieties of Capitalism less suitable to analyze and predict the effects of changes in the financial sphere on industrial relations. It therefore is necessary to amend the Varieties of Capitalism literature with other approaches that are better capable to deal with the dynamic nature of institutions. Two theories that can serve this function are historical institutionalism and the Régulation School.

Historical institutionalism expects institutions to be relatively stable over long periods of times (Pierson, 2004; Hall, 2010). Once a CME has been established, the survival of its institutional structure is likely. In the historical institutionalist view, industrial relations in CMEs serve the interests of firms, by making it possible for them to coordinate their efforts with labor. When globalization leads to pressures on industrial relations, the initial approach will be to draw on existing institutional resources in order to enhance productivity and thereby competitiveness. This will result in a reinforcement of coordinated industrial relations at the

macro-, the meso-, as well as the micro-level. Thus, historical institutionalism predicts the stability of industrial relations.

The Régulation School contradicts the expectations of historical institutionalism (Boyer & Saillard, 1995). According to the Régulationists industrial relations are temporary solutions to contradictions between firms and workers. By creating institutions for negotiating their interests, this conflict can temporarily be pacified. However, the inherent contradictions of the system of industrial relations in a CME, eventually will lead to crises. These crises disturb the equilibrium and lead to a reordering of the institutional structure, resulting in the dominance of the financial sphere that is able to impose its logic upon other spheres. This results in a move in the industrial relations of CMEs towards short-run flexibility (Boyer, 1996).

This thesis compares both theories in order to come to a better theoretical understanding of the changes that occur when a CME becomes integrated into the global financial market. Through a holistic view, which accounts for multiple levels, it is able to test those theories not just on each individual level, but on the effects of integration into the global financial market on industrial relations as a whole.

1.2 Methodology and case selection

In this thesis, I will make use of process tracing. Process tracing is a technique within qualitative research that is especially suited to research changes and continuities over an extended period of time, and the process through which these changes and continuities come about. It is therefore particularly suitable to testing the aforementioned theories, that both emphasize historical processes. By analyzing the events and processes that take place, and their outcomes, both of these theories can be thoroughly tested.

Choosing a qualitative method does not exclude the use of quantitative data. It is increasingly common to integrate data that are measured on an interval or ratio level in qualitative research (e.g. Streeck, 2013). Therefore this thesis will make use of an analysis of qualitative as well as quantitative data, in this way strengthening the evidence that can be used for the testing of hypotheses.

The case I will use to test these theories is that of Slovenia. Since Slovenia has seen some strong and abrupt changes in the financial sphere in the late 1990s and early 2000s, this is an extreme case. This type of case either has an extreme value on either the explanatory or the outcome variable. In this case the explanatory variable is integration in the global financial market. This variable has both a regulatory aspect, through regulatory openness for foreign finance, and a material aspect through inflows of foreign direct investments (FDI). The advantage of choosing an extreme case is that it is able to increase the degree of certainty that the explanatory variable is indeed the one that is responsible for the changes that are being observed (Danermark, Ekström, Jakobsen, & Karlsson, 2002; Gerring, 2007).

The starting point of this research is 1997, the moment that Slovenia started accession negotiations with the European Union. In order to be accepted as a member of the EU, Slovenia had to abolish capital controls. This led to a rapid introduction of foreign capital in the Slovenian economy. The process of EU-accession was completed in 2004. In 2007 Slovenia joined the European Monetary Union, as the first country in post-socialist Central and Eastern Europe. This led to the adoption of the Euro as common currency, which made investment in Slovenia even easier. Next to these institutional changes two crises had an impact on the state of the Slovenian economy and its dependence on global investments. First, the global financial crisis hit Slovenia in 2008. In 2013 a second crisis occurred due to the insolvency of a number of important Slovenian banks. The end point of the case study will be

2015, although the impact of the second crisis on Slovenia's system of industrial relations will likely not have been fully felt in that year, the results will have started to become visible.

1.3 Societal relevance

National institutions are fundamental to the functioning and survival of industrialized market economies. They are able to provide the resources that are necessary to produce goods and services, form compromises between different actors involved in production and provide voice and a safety net to workers. Global developments over the recent decades have led to fundamental changes to the functioning of these institutions. These may be especially profound for CMEs. Through economic globalization, in particular the integration of financial markets, these economies are exposed to a new economic logic. In order to adjust to these new challenges, it is necessary for business, labor and the state in CMEs to be able to make sense of, and anticipate these changes.

By examining the extreme case of Slovenia, it is possible to learn more about the mechanisms that operate in other CMEs as well. While the mechanisms that occur as a consequence of financial globalization in our extreme case are potentially stronger than in more typical cases, it is possible to apply the lessons drawn more broadly. Although there is increasing resistance against global investment and the Transatlantic Trade and Investment Partnership, one of the main treaties to potentially affect CMEs, is currently put on ice, it may be expected that financial globalization is an ongoing process. Its effects on industrial relations have not yet been fully developed, therefore knowledge about this subject is of continuing importance.

1.4 Outline

In the next chapter of this thesis I will explain the theoretical framework. First, I will provide a general framework of the institutions in a CME, with a particular emphasis on finance and industrial relations. Subsequently I will formulate expectations about changes to industrial relations under the influence of financial globalization, first from a historical institutionalist perspective and then from the Régulation School perspective. The third chapter provides the methodology. It will explain process tracing and the use of data sources. Moreover, I will operationalize the different variables that are present in this research and offer hypotheses for each level of industrial relations. Subsequently the case selection will be elaborated. Chapter four will empirically assess the changes that took place in Slovenia under the influence of financial globalization on the macro-, the meso-, and the micro-level. In my conclusion, I will formulate the answer to the main question, give recommendations for further research and will comment on the theoretical relevance of my research.

1. Theoretical framework

2.1 Introduction

This chapter will focus on the consequences of integration of CMEs in the global financial market on their institutional structure. In particular it will focus on the sphere of industrial relations, which has been shown to be strongly correlated with the financial sphere (Hall & Gingerich, 2009). The theoretical perspectives that will be used are historical institutionalism and the Régulation school. Those theories can be used to come to strongly contending expectations about the effects of integration in the global financial market on industrial relations.

On the one hand, historical institutionalism puts the idea of path-dependency and positive feedback central in its understanding of institutional development (Pierson, 2004; Hall, 2010). This leads to the expectation that institutions will remain relatively stable over time. Only minimal adjustments may be found when institutional equilibrium is disturbed by exogenous shocks. On the other hand, the Régulationist school takes the fundamental instability of capitalist economies as its core assumption (Boyer & Saillard, 1995). Existing institutional equilibria are only of a temporary nature, and will be disturbed if changes in the regulatory environment occur. This is expected to lead to changes in the way production is organized.

In the following sections, I will first give a description of the CME as one distinctive variety of capitalism. After a general introduction, I will describe the corresponding financial sphere and the sphere of industrial relations in more detail. Subsequently I will explain which expectations can be derived from historical institutionalism for industrial relations in a CME. Next, I will explain the expectations that may be derived from the Régulation School literature.

2.2 Varieties of Capitalism

Within the literature on varieties of capitalism, different theories for the analysis of national market economies have been developed (Coates, 2000; Hall & Soskice, 2001; Amable, 2003; Nölke & Vliegenthart, 2009). These models are based on distinct coordination mechanisms, comparative advantages in the production of specific goods and services, and complementary relations between different institutional spheres. To be complementary means that different institutions through their specific forms mutually enhance each other's performance. If institutions are configured in such a way that together they produce Pareto-optimal performance, they can be said to be complementary. This is an equilibrium in which no single sphere can be altered without negatively affecting the performance of the economy as a whole.

A number of different typologies have been developed to analyze these complementary institutions, which have arisen after industrialization. The most prominent of these is that between LMEs and CMEs (Hall & Soskice, 2001). Both are characterized by distinctive modes of coordination, or in other words different ways in which the actors operating within them form relationships to each other, and by specific comparative advantages in the production of goods and services. LMEs specialize in goods and services that require radical innovation, supported by market-based institutions. CMEs on the other hand specialize in the production of goods that require incremental innovation. Their institutions foster non-market based forms of coordination through dense organizational networks and open-ended contracts, depending on mutual trust between different actors.

The institutional frameworks that characterize different varieties of capitalism can be analytically divided in a number of distinct institutional spheres (Hall & Soskice, 2001). First,

a financial sphere can be distinguished. The configuration of this sphere determines how companies are financed and how they relate to these investors (Vitols, 2001). Second, the sphere of education and training consists of the institutions that are necessary for the formation of job skills (Estevez-Abe, Iversen, & Soskice, 2001). Third, the sphere of corporate governance consists of the way firms are governed (Vitols, 2001). Fourth, the sphere of technological transfer arranges the way innovations are spread across the production system (Tate, 2001). Finally, in the sphere of industrial relations firms set wages and working conditions for their workers (Thelen, 2001). These spheres often overlap. For example, workers may exercise rights over the company both through the traditional channels of industrial relations – e.g. works councils, sectoral level bargaining and tripartite corporatism – and through employee ownership and corporate boards. In this thesis I will focus on the relationship between the financial sphere and the sphere of industrial relations in the CME-variety of capitalism.

2.2.1 Patient capital in CMEs

Within the financial sphere two factors are of crucial importance in the investment decisions made by financial institutions: profits and risk (Aglietta & Breton, 2001). On the one hand, finance has a preference for high returns-on-capital. In order to be able to grow and in that way stay ahead of their competitors, it depends on the extraction of a surplus above the original investment they put in a corporation. This surplus can be reinvested and in this way the share of investments in the economy will be increased. On the other hand, investments will lead to a risk of not being paid off through the insolvency of firms. In order to optimally balance profits and risks investors make use of certain investment strategies that make it possible to evaluate the value of their assets and assess risks. Although all developed

economies will rely on a mix between different types of investments, a distinction can be made between those that predominantly rely on market-based and those that are based on bank-based capital (Vitols, 2001).

The financial sphere of CMEs is dominated by patient capital (Hall & Soskice, 2001; Aglietta & Breton, 2001). This type of capital operates under the *logic of specification*. Following this logic, ownership of companies is less dispersed, instead relying on a small number of stakeholders. The main investors in these economies are banks and other enterprises. These typically hold a majority of shares in a smaller number of companies. Through their involvement in corporate boards, these investors are able to monitor the performance of companies in-depth, on the basis of specific information. Shares in companies are less often publicly traded between different investors, which leads to long-term involvement in companies. In this way, they are able to protect the value of their loans and shares through pursuing strategic long-term interests, instead of profiting from rapid changes in the prices of stocks and securities.

2.2.2 Industrial relations: macro, meso and micro

Within CMEs industrial relations are based on an extensive system of coordination between employees and employers, within neo-corporatist institutions (Hall & Soskice, 2001; Schmitter, 1974). Industrial relations are highly organized through the involvement of business associations and different organizations representing workers. The advantage of such a system of coordination is that it offers the possibility to develop stable, long-term bonds between companies and their workers. Through long-term stability it becomes profitable for firms to invest substantial amounts of resources in within-company training and education of

their labor force, which is required for the development of firm-strategies based on incremental innovation.

The industrial-relations system of CMEs consists of a nested structure, in which institutions play a role at different levels. At the top, often a system of tripartite concertation can be found (Ebbinghaus & Hassel, 2000; Regini, 2003). Trade unions, firms and the state come to national agreements that determine the macro-variables within which the coordinated relations between employers and workers are shaped. This level has a two-fold function in the creation of the conditions of a CME. First, inflation may be reduced by putting limits on wage-increases within different sectors. Second, these institutions may serve to produce nation-wide equality and in that way prevent conflict between different social groups.

Tripartite concertation can exist in many different forms. Typically, unions and representatives of business play an equal role, either with explicit involvement of the state, or in the shadow of hierarchy (i.e. in the knowledge that the state will intervene when agreements are not reached) (Regini, 2003). Moreover, this can involve organizations specifically set up to reach consensus on macro-economic questions such as the Social and Economic Council of the Netherlands, ad hoc agreements or the active involvement of the social partners in policy making. The crux here is not the specific design of institutions, but the role they play in ensuring macro-economic stability and wage coordination.

The meso-level is of central importance to the coordination of wages between firms and workers in CMEs (Hall & Soskice, 2001). Wage negotiations will typically take place on a sectoral level between trade unions and sectoral-specific business associations. Through forming bargaining institutions firms will have the opportunity to overcome the collective action problems that may arise from market-based competition. Institutions can prevent poaching of valuable workers and can reduce uncertainty for workers of individual companies, thereby preventing conflicts between workers and management at the company-

level. At the same time, some variation between different sectors is allowed, which offers advantages towards international competitors.

At the micro-level stability is ensured by offering workers the right to participate in the strategy of companies through works' councils and their involvement in supervisory boards (Rogers & Streeck, 1995). A works council will lead to benefits for workers, since it gives them a voice in decisions taken by the company. This puts constraints on management, and requires them to treat workers as important stakeholders. For managers, this has the advantage of industrial conflict prevention, and quick dissemination of information, both bottom-up and top-down. Involvement of workers in supervisory boards, moreover, will give them important strategic influence over managers and will ensure alignment of the long-term interests of firms and workers.

2.2.3 Critique of functionalism

A problem that can be identified within the Varieties of Capitalism literature is its inherent functionalism (Howell, 2003). Institutions in this view are self-sustaining and shielded against outside influences. Actors essentially follow the norms and rules that are laid down by these institutions. If the institutional structure gets challenged, either from the inside or from its external environment it will respond by restoring equilibrium. Therefore little substantial changes will be witnessed over long periods of time.

A functionalist account of institutions will lead to sufficient explanations in times of relative stability (Howell, 2003). However, when the system is under duress through the introduction of actors who follow different norms and interests, or through challenges to the institutional structure, Varieties of Capitalism is no longer suitable to explain the changes that take place. In order to overcome this problem, it is necessary to use theories that take the

political more strongly into account (Hall & Thelen, 2009). A stronger focus on actors and their powers and interests should be included in the framework. Therefore, this thesis introduces two different theoretical frameworks that suggest different trajectories of continuity and change.

2.3 Historical institutionalism

Historical institutionalism can be used to explain continuity and change in national institutions over time through the interaction between actors and the institutions in which they operate (Immergut & Anderson, 2008; Hall, 2010; Pierson, *Politics in Time*, 2004; Thelen, 1999). Within this paradigm a number of different explanatory models, have emerged. These models vary in their focus. For example, some theories within historical institutionalism focus on the state and its institutions, while others focus on the interaction between trade unions and employers within the sphere of production and welfare provision. In this thesis, I will advance the ‘employer-centered’ or ‘firm-centered’ approach to historical institutionalism. The advantage over approaches making either the state, or trade unions the central actor, is its ability to explain the continuity and changes of different institutions involved in the supply-side of developed market economies.

These institutions first emerged from the combined effort of producers to overcome certain collective action problems (Hall & Thelen, 2009; Deeg & Jackson, 2007; Olson, 1965). By offering rules and practices that actors can use as common pool resources to draw on in making strategic decisions and interacting with each other, these problems may be overcome. Over time these institutions will start to interact with each other and will form institutional frameworks, characterized by strong ties between different institutional spheres. Thus, in using historical institutionalism institutions cannot be analyzed separately, but instead should be analyzed within the context of the frameworks in which they are embedded.

Once institutions have been established they start to shape the interests of the firms operating within them (Hall & Soskice, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, 2001). Through repeated interaction they will tend towards a Pareto-equilibrium, i.e. a situation where no institutional change can take place without negatively affecting the performance of other institutions. Firms therefore will be increasingly inclined to let the rules and practices set by these institutions guide their behavior. Thus, institutional change will become a relatively seldom occurrence .

While historical institutionalism suggests that institutions are relatively durable over time, the occurrence of certain events may lead to durable disturbances of the performance of established institutions (Hall & Thelen, 2009; Streeck & Thelen, 2005; Hall, 2010). The most important reason for institutional change is the occurrence of exogenous shocks. When shocks emerge from outside the institutional environment, the equilibrium in which institutions find themselves is challenged. New solutions need to be found in order to be able to restore equilibrium. Firms will play a leading role in these institutional innovations and provide an endogenous response to exogenous shocks. Since they have interests in the reproduction of their domestic institutions, these changes are expected to be path-dependent, the nature of change will be shaped by the actions of actors in the past.

The path-dependency of institutions has three important sources: increasing returns, network externalities and sunk-costs (Pierson, *Politics in Time*, 2004; Hall, 2010). Increasing returns are most likely to be achieved through the use of the comparative advantages these economies have to offer (Pierson, 2000; Hall & Soskice, 2001). The crux of the historical institutionalist literature is that institutional diversity will lead to advantages in the production of different types of goods. In order to make better use of these advantages, CMEs will be

strengthened by clearing any remaining obstacles to the efficiency of institutions. Therefore, under normal circumstances the working of institutions will be optimized.

Network externalities is a concept that is strongly related to the embeddedness of institutions within national institutional frameworks (Hall & Soskice, 2001; Hall, 2010). Institutions in different spheres will reinforce each other's effects by forming complementarities. This will give an important impetus for firms to keep these institutions stable, since changes in one institutional sphere may undermine these complementarities. As firms derive their advantages from the efficient working of different institutions, they will make efforts to prevent changes in one sphere which are incompatible with the configuration of other spheres.

Sunk-costs are costs that cannot easily be retrieved when institutions go through fundamental changes or are displaced by others (Clark & Wrigley, 1997). Three types of sunk costs can be distinguished: setup sunk costs, accumulated sunk costs and exit sunk costs. The first refers to the costs that are usually involved in setting up business. From an institutional perspective, these involve both initial investment in machinery, equipment, training of workers etcetera, and the costs of establishing institutions. The second refers to the "normal costs of doing business" (p. 340). These costs are for example the investments made in the development of workers' skills. The third refers to costs that occur in the case of market exit, for example ongoing financial obligations to financial institutions and pension schemes. "That agents do not always disregard sunk-costs, against the advice of economic theory is an important stabilizing factor for strategic situations" (Beckert, 1999, pp. 790-791).

The combination of increasing returns, sunk-costs and network externalities will lead to the stability of institutions over extended periods of time. Once they have been formed path-dependency will make them relatively stable. Changes will usually occur very gradually,

within the incentives and constraints set by past decisions, even under duress. In the next paragraph, I will show what this means for the influence of financial openness on industrial relations within CMEs.

2.3.1 Increasing financial openness

A rapid integration of a national system in the global financial market, from a historical institutionalist perspective can be seen as an exogenous shock. Financial globalization puts new pressures on institutions by introducing outside investors to the system that were previously barred entrance. These investors will have their own preferences, that differ from that of the bank-based financial systems that are typically found in CMEs. Instead of having interests in the long-term stability of firms, foreign investors are mainly interested in high returns on investment. New investments in the first place will come from foreign portfolio investors that will not be interested in taking a strategic role in firms and therefore are agnostic to the way profits are generated (Carlin & Soskice, 2009; Dunning & Lundan, 2008). This will introduce stimuli for firms to enhance their rates-of-profit.

In order to increase their rates-of-profit, firms within CMEs will be inclined to look for increasing returns on the comparative advantages that are already offered by their institutional structure (Hall & Soskice, 2001). In order to make optimal use of these comparative advantages they will have to increase the efficiency of these institutions. Where these institutions still contain idiosyncrasies, that may have developed throughout the formation and continuation of institutions, these will diminish and a purer CME-form will develop. Thus, the influence of open markets for capital will lead to stronger and more efficiently operating CMEs.

Increasing returns form a partial, but not a sufficient explanation for firms to keep depending on the CME-form. This would lead to a rational choice explanation where firms have the ability to choose between different strategies at any point in time (Shepsle, 2006; Hall & Taylor, 1996). In principle in order to increase returns firms may choose to adopt strategies that diverge from the routines and habits that have formed in the past and explore new options. What historical institutionalism adds is that the past does shape the strategic options for firms within CMEs by way of network effects and sunk costs.

Within CMEs network effects exist between patient capital and coordinated industrial relations. The nexus between patient capital and firms is so strong that it can be argued to be the core of the production system within CMEs (Hall & Gingerich, 2009). Firms in order to be able to offer their workers long-time stability are dependent on the capital that banks provide. Through making use of this type of capital firms can ensure that they have the possibility to meet their future obligations towards their workers. Banks on the other hand through their dependence on inside knowledge of firms will have an interest in the long-term stability of firms. This will strengthen their capacity to make use of the acquired knowledge of firms they possess. Therefore, it will be unlikely that under the stress of financial openness a lot of change in either of both spheres will occur, for this would lead to the necessity of changes in other spheres as well.

This idea is even strengthened when sunk costs are taken into consideration (Clark & Wrigley, 1997). Firms in CME, through their focus on capital-intensive production, will have large setup costs. They have to invest heavily in the training of workers, the purchase of machinery and other equipment, property etc. Once in operation firms will invest in workers that require the specific skills and knowledge that are needed in production in the course of their tenure at a company. The system of industrial relations serves to protect the investment

that are made in workers by preventing the poaching of skilled workers by other firms. Finally, they will have outstanding loans with banks and ongoing financial obligations towards their workers, that will have to be met even when they decide to change strategies. When they will change strategies, they are burdened with double costs. On the one hand, they will have to repay the banks and have to pay benefits to superfluous workers. On the other hand, they will have to pay dividends to investors and acquire workers with different skill sets.

Therefore, what may be expected is that the pressures caused by financial openness will only lead to a limited degree of institutional change. While some foreign investments might occur, this is mostly by investors who want to diversify their portfolio and will have no strong general effect on the structure of the financial market in general. This will correlate with a system of industrial relations that will keep fostering coordinated relations between firms and workers, to the advantage of productive firms. Where changes might occur, these changes serve to strengthen the CME-form that is already in place, by increasing its efficiency.

2.3.2 Industrial relations: Macro, meso, micro

When taking a more in-depth view of industrial relations in CMEs, some changes might be expected nevertheless. For the aforementioned reasons, these changes will mostly lead to a strengthening of the CME-form, instead of a weakening thereof as is expected by alternative theories. Where the institutions of industrial relations already were performing optimal from the perspective of non-market forms of coordination, they will remain stable and be preserved. Where they were not yet optimal there is a strong impetus resulting from increased competition to further strengthen them. This effect will be witnessed on the macro-, the meso-, as well as the micro-level.

At the macro-level, it will be advantageous to business to invest in the reinforcement of coordination with unions (Regini, 2003). Coordination allows for the possibility to limit wages across sectors, which will lead to higher profit margins and thus the possibility to offer higher pay-offs to investors. While wage limitations in principle can be accomplished at the meso-level through the system of wage bargaining, if wages in different sectors are uncoupled this has the risk of inter-sectoral competition (Hall & Franzese, 1998; Iversen, 1998). Unions in individual sectors will have a strong incentive to increase wage demands in order to be sure that wages in one sector will not fall behind wages in another sector. Since companies have incentives to reduce their costs by limiting wage increases, this will lead to the possibility of intensified industrial conflict. Therefore, macro-level coordination will be beneficial to firms that want to attract investors to ensure wage limitations across sectors and prevent the cost of industrial disruptions.

Simultaneously with the strengthening of macro-level institutions, meso-level institutions will be reinforced as well. These institutions are crucial in the competitiveness of firms. “Collective bargaining above the level of the firm supports plant-level cooperation by ‘bracketing’ divisive distributional issues and ‘depersonalizing’ industrial conflict” (Thelen, *Varieties of labor politics in the developed democracies*, 2001, p. 77). In order to be competitive in the global market, firms have to prevent industrial conflict that will lead to losses in productivity. When workers are faced with uncertainty about their wages in relation to those of workers in similar firms this will create dissatisfaction among them and the possibility of increasing hold ups through industrial conflict. By creating institutions that equalize wages within sectors this dissatisfaction can be prevented. Simply stated ‘a happy worker is a productive worker’ (Latif, et al., 2013).

Finally, increased openness to foreign capital will lead to an increasing involvement of workers in the strategic decision-making of firms (Lütz & Eberle, 2008). The participation of

workers has two important advantages for the comparative advantages of firms. First, through the participation of workers it can be ensured that information within the company is spread to management from the bottom-up. By giving workers voice within the company management can acquire the information about different parts of the firm that is necessary for its day-to-day operation. Second, worker satisfaction can be increased through ensuring a mechanism through which they can have a say in the operation of the firm. Workers will develop an interest in the long-term survival of the firm that is necessary to ensure stable production and the chances of conflicts between workers and managers will be reduced. They will be more inclined to put the effort in their jobs that are necessary to increase productivity.

What therefore can be expected is that there will be a continuous emphasis amongst firms on the creation of a nested structure of industrial relations that offers the possibility of coordination across different levels of the productive economy. Such a structure stabilizes production regimes, while limiting wage costs. This offers important advantages to investors that will have the opportunity to invest against low risks and high profits. Therefore, from a historical institutionalist perspective it may be expected that the CME-form will have the possibility to withstand regulatory changes and increasing financial globalization and will survive for the time to come.

2.4 The Régulation School

The Régulation School comes to conclusions that are diametrically opposed to that of historical institutionalism. Instead of focusing on institutional continuities it focuses more strongly on institutional change. The Régulation School is a group of scholars that emerged in France in the late twentieth century, that builds on the Marxist approach to political economy. While it is characterized by internal diversity, a number of core concepts have been developed that can be applied to institutional change in the era of financial globalization.

The Régulation School expands on the base-superstructure dichotomy by introducing the concepts ‘growth regime’ and ‘mode of régulation’ (Boyer & Saillard, 1995). The ‘growth regime’ corresponds to what Marx calls the economic base. A regime of accumulation consists of “the set of regularities that ensure the general and relatively coherent progress of capital accumulation” (p. 334). Where Marxism mainly focuses on the supply-side, the Régulation School incorporates elements from post-Keynesianism by focusing on the demand-side as well. A growth regime next to a mode of production and the social relations attached to it also includes the organization of management, exchange and consumption. In this way, a comprehensive view of the way the economy is organized emerges.

Contrary to historical institutionalism, the Régulation School growth regimes are not seen as internally stable (Boyer, 2000). Instead they are characterized by inherent contradictions that give rise to conflicts between different socio-economic groups. The way different socio-economic groups are organized and the power relations between them are historically contingent and determined by the way growth regimes are organized. Under capitalism the main contradiction is between labor and capital. Each is driven by its own motives, labor by the motive of increasing wages and capital by profits.

In order to overcome the contradictions that emerge from specific growth regimes distinct modes of régulation emerge (Boyer, 2000). These consist of “procedures and

individual and collective behaviors that serve to reproduce fundamental social relations, support and ‘steer’ the prevailing regime of accumulation and ensure the compatibility over time of a set of decentralized economic decisions” (Boyer & Saillard, 1995, p. 341). In other words, a mode of *régulation* consists of the institutions that govern society. Through stabilizing growth regimes these modes of *régulation* serve the long-term interests of capital by putting certain constraints on the actions of individual actors (cf. Poulantzas, 1974).

Growth regimes are not able to automatically impose their logics on the institutions within which they operate (Boyer, 2000; Amable, 2003). The specific form a mode of *régulation* takes depends on the underlying constellation of socio-political actors. Within modes of *régulation* capital and labour and their segments may vary in its strength and the way they are organized. Thus differences emerge within modes of *régulation* that resemble the distinction between different varieties of capitalism. Contrary to Varieties of Capitalism, however, these different models are in a constant state of change.

A further departure from historical institutionalism is the claim by the *Régulation* School that different institutional spheres are hierarchically related, instead of complementary (Boyer & Saillard, 1995; Höpner, 2005). Each mode of *régulation* is characterized by the dominance of a specific institutional form and its corresponding socio-political groups. The hierarchy between institutional spheres may change, causing another sphere to become dominant. The socio-political group most closely related to the dominant sphere will henceforth be able to impose its own logic on other institutional spheres and thereby produce change in these spheres.

The constraints that institutions put on growth regimes will inevitably lead to a situation, where they limit the possibilities of further economic growth . Since the reproduction of capital and labour depend on continuous growth this will result in crises that can have different origins and magnitudes. Cyclical crises coincide with cyclical economic

swings. These crises are of minor importance and can be resolved without “any major modifications to existing institutional forms” (Boyer & Saillard, 1995, p. 43).

A more severe form consists of structural crises, during which modes of régulation and economic growth no longer are compatible (Boyer & Saillard, 1995; Jessop, 2013). During these periods profitability and economic growth are no longer guaranteed, social forms supporting growth are destroyed, economics no longer develops according to predictable lines, and nationally and internationally social conflict increases. In order to revive economic growth it might be necessary to come to a revision of institutions and the scale at which they operate. These revisions are the main cause of shifts in institutional hierarchies.

Finally, a crisis of the dominant mode of production may emerge (Boyer & Saillard, 1995). During such a crisis it is no longer possible to revive economic growth and growth regimes as well as modes of régulation will collapse. This type of crisis signifies the transition from one mode of production to another, as was the case in Central and Eastern Europe, where state socialism collapsed and gave place to capitalism.

2.4.1 The Fordist growth regime

Modern economies during the post-war era were characterized by a growth regime that régulationists call Fordism (Grahl & Teague, 2000). This growth regime was characterized by mass production across Taylorist lines and mass consumption. Real wages were rapidly growing in tandem with increases in productivity. This allowed workers to consume the goods that were produced in factories, which in turn led to a rise in profits and the possibility for economic growth.

Under Fordism the dominant institutional sphere was that of industrial relations (Boyer, 2000). In order to ensure stable growth and be able to protect wages against the

downwards pressures of competition a capital-labor compromise was reached, based on the active involvement of workers in production and economic decision-making. This was needed in order to ensure continuous increases in production and consumption. Other institutional spheres served to make this system of mass production and mass consumption possible.

Fordism is characterized by a diversity of modes of *régulation*. These modes of *régulation* conform to different models of capitalism found within the literature on capitalist diversity (Amable, 2003; Hall & Soskice, 2001). However, where Hall and Soskice distinguish two different basic models, RS distinguishes five. The Continental European model of stakeholder capitalism is the one most closely resembling the CME-model. Industrial relations in this model are more conflictual than under the historical institutionalist model, yet they are still much less prone to conflict than is assumed under the LME or market-based model of capitalism.

While Fordist regimes and their accompanying modes of *régulation* proved relatively stable over the course of some decades, the model came into a structural crisis in the end (Boyer & Saillard, 1995). In different parts of the world this crisis had different causes. In the US due to its rather flexible employment relations, relative wages stagnated or even declined while the increase in productivity slowed down. In European economies employment stagnated, while mechanization and growth in productivity increased slowly. This can be ascribed to the more rigid employment relations and wage levels that were found in their coordinated economies. Declining profits were more difficult to translate into lower wages, resulting in a larger proportion of the working population who lost their job.

In order to overcome the structural crisis of the 1970s firms and government started to look for new solutions (Overbeek, 2002). They found these in the expansion of markets. On the one hand, this expansion took the form of an increasing commodification of spheres that

were previously shielded from the market. On the other hand, this crisis was overcome by a geographic expansion of financial markets. Political events enabled the introduction of new markets to the global financial system, while in core capitalist economies a tendency occurred towards the deregulation of finance which made transnational investments easier.

2.4.2 Post-Fordism: Financialization

The post-Fordist regime can best be described as a post-national regime dominated by the logic of finance (Boyer, 2000; Drahokoupil, 2009; Jessop, 2002). This regime is post-national because of “the increased significance of other spatial scales and horizons of action, which make the national economy less susceptible to effective macroeconomic management and the national territory less important as a power container” (Jessop, 2002, p. 252). In the practice of power, multiple scales have become important, outside of the delineation of the nation-state. One important aspect of this is what has been referred to as *globalization*. However, as Boyer (2000) points out, globalization cannot be seen as an encompassing phenomenon pertaining to all economic spheres. Instead, globalization is specific and mainly characterized by the rise of global finance.

The post-Fordist solution became possible through two interrelated processes (Boyer & Saillard, 1995). On the one hand technological innovations, most importantly the revolution in information and communication technology, made it possible for finance to develop products that could be applied on a transnational scale. IT offers increasing possibilities to quickly relocate investment to the locations where they are deemed most profitable. On the other hand, the rise of global finance cannot be seen as merely a functionalist development, deterministically emerging from changes in the technological paradigm. Instead the possibility for finance to operate on a global scale is actively made possible and promoted by

states. The opening of financial markets is one of the primary state policies responsible for this, lifting protectionist barriers to foreign capital.

The opening of borders to foreign capital has led to a new growth regime that can be described as finance-dominated (Stockhammer, 2008; Serfati, 2000; Hein, 2015). Where under the Fordist growth regime the relation between management and labor was central to growth, under the new regime management is in the first place accountable to shareholders. This has led to a regime in which the growth and decline of profits are mainly brought about through finance, instead of through the production of goods and trade. Finance through this process of ‘financialization’ has become the dominant sphere in capitalist economies.

The centrality of finance leads to a situation in which global finance can impose its logic onto other institutional spheres (Boyer, 2000). The logic of global finance is one that is different from the logic of the banks that were central in the financial sphere of CMEs. Patient capital is driven by a logic of specification, while global finance is driven by a logic of homogenization (Aglietta & Breton, 2001). Under the logic of homogenization, the short-term price of securities becomes the overriding interest of financiers. Investors no longer are driven by an active interest in the long-term strategic goals of firms, but instead in the current market value of a company. Therefore, the orientation in CMEs becomes more driven by flexibility and the realization of short-term profits, instead of on long-term development.

2.4.3 Industrial relations

The consequences of financialization for industrial relations are far-reaching. The focus of investors on short-term profits, means that the possibility of firms to invest in stable employment relations is diminishing. Instead, a drive towards more flexible wages and short-

term employment emerges (Boyer, 1996; Grahl & Teague, 2000). While in some core industries, dependent upon workers with a specific set of knowledge and skills old style labor relations still prevail, an increasing group of workers emerges that suffers from a lack of stable income and employment (Tinnemans, 2011). This group is sometimes referred to as a new class – the ‘precariat’ (Standing, 2011).

The effect of financialization on industrial relations can be witnessed at the different institutional levels set out in this thesis. All three will undergo important changes that will bring an end to the strong system of coordination as was previously present. At the macro-level states lose the power to effectively set macro-economic conditions under which the labor market operates (Boyer, 1996; Boyer, 2005). Constrained by competition for financial resources and the need for economic growth, there will be a process of conversion in the institutions of tripartite bargaining (Streeck & Thelen, 2005). Where previously social partners, either with direct state involvement or under the shadow of hierarchy, used national institutions to reach a capital-labor compromise that could ensure the reproduction of the Fordist growth regime, the content of agreements is increasingly defined by demands for flexibilization.

This demand for flexibilization is driven by a power-constellation in which the state increasingly is subject to the structural and tactical powers of transnational investors (Drahokoupil, 2009; Gill & Law, 1989). The state in order to ensure economic growth and tax income, will need to accommodate the demands of transnational investors. This will lead to a process of state internationalization, in which the state increasingly comes to represent global financial interests. Business associations will be tied to the interests of transnational investors through their (decreasing) membership. The firms that are still involved will increasingly depend on global financial resources. Trade unions in this situation most likely will face a

choice between opposition to neoliberalism or coopted in the neoliberal system (Bieler, 2007). They will be most likely to choose for a strategy in which they will be co-opted, choosing for continuous cooperation in neoliberal reforms, in return for minor concessions.

At the meso-level increasing integration in the global financial market will lead to a weakening of collective wage bargaining (Grahl & Teague, 2000). In an environment in which capital has become more volatile, companies will need to be able to adjust wages to the conditions set by the global financial market. Sectoral-level wage bargaining from this perspective will lead to certain rigidities in wages by making it more difficult to adjust the wages within companies to the conditions of global financial markets. In order to be competitive, firms need to be able to adjust wage-costs on a year-to-year basis according to their performance and market conditions. In this way, short-term profits may be increased and higher pay-offs will follow for investors. Therefore, it may be expected that wage-setting to an increasing extent will take place at the level of the company.

Finance-dominated growth through its focus on shareholder value will lead to an increase in managerial discretion (Boyer, 1996; Aglietta & Breton, 2001). Management will become more dominant within the firm and will become more directive in running the company. Within the corporate governance structure of firms, a turn to a more Anglo-Saxon style of shareholder capitalism will be witnessed. Increasingly, the top of companies will consist of a single-board structure in which control over the company is exercised by a management board that is directly accountable to shareholders. This means a turn to shareholder orientation, implying that the interests of shareholders will come to prevail over that of stakeholders. On the other hand, codetermination in the company may persist, but will be directed towards the implementation of measures which enhance competitiveness, instead of ensuring an equitable position for workers (Boyer, 2005). Thus, financial globalization and

the rising importance of global investors will lead to a significant weakening of the CME-form, in favor of more market-based relations that favor capital over labor.

2.5 Conclusion

This chapter has presented two different views on the effects of integration of a CME in the global financial market on industrial relations. On the one hand, historical institutionalism expects a reinforcement of the macro-, the meso-, as well as the micro-level. It becomes increasingly important for firms to reinforce their coordination with labor, in order to be more competitive in a global environment. Firms will be able to make use of the comparative advantages offered by the institutions characteristic for a CME. Therefore, they will be able to attract investments more easily and offer higher returns-to-capital. At the macro-level, this will lead to a reinforcement of the formation of social pacts, able to coordinate industrial relations economy wide. At the meso-level this will lead to a strengthening of coordinated wage bargaining by sector. At the micro-level, there will be a continuing stakeholder orientation.

On the other hand, the Régulation School expects industrial relations to become hierarchically dominated by the financial sphere. Foreign investment will be needed as a source of economic growth, which leads to increasing power for those investors. In contrast to providers of patient capital, foreign investors will be more interested in short-term profits. In order to offer these profits and be able to adjust quickly to a changing global environment, industrial relations will be flexibilized. At the macro-level, this means the retreat from firms and business from tripartite concertation. At the meso-level coordinated wage bargaining will become less prevalent. At the micro-level firms will move from a stakeholder orientation to a stronger focus on the interests of shareholders.

	Historical institutionalism	Régulation School
Goal of dominant actors	Stability	Flexibility
Main mechanism	Institutional complementarity	Institutional hierarchy
Macro	Reinforcement of tripartite concertation	Deregulation of tripartite concertation
Meso	Strengthening of sectoral wage bargaining	Decentralization of wage bargaining to company-level
Micro	Continuing stakeholder orientation	Shift to shareholder orientation

Figure 1 Main theoretical differences

3. Methodology

This chapter discusses the methodology and operationalization of my research. In order to make the aforementioned theories testable, it is important to offer clear and measurable hypotheses and give a convincing selection of my case.

In what follows I will first discuss my choice for Slovenia as an extreme case. Second, I will introduce process-tracing and its usability for the present research. set out the ontological and epistemological basis of my research. Third, I will discuss which data will be used and why it is useful to make use of a combination of qualitative and quantitative data. Fourth, I will state what the hypotheses for the current research are and how they will be measured. Fifth, I reflect on the limitations of the current research design.

3.1 Slovenia: An extreme case

In order to test my hypotheses, I will make use of Slovenia as an extreme case (Gerring, 2007; Danermark et. al., 2002). Gerring (2007, p. 89) describes the extreme case in statistical terms as “a case lying many standard deviations away from the means of X_1 or Y ”. In other words this is a type of case study where either the dependent variable or the explanatory variable at the starting point of the study has an extreme value. Since this study is interested in the impact of financial integration, an extreme case would be a case where there is an extreme change in the explanatory variable financial openness. As we will see this is the case in Slovenia.

The advantage of an extreme case study is that “mechanisms appear in an almost pure form” (Danermark, Ekström, Jakobsen, & Karlsson, 2002, p. 104). In a complex social reality, it is often the case that many different mechanisms may be present, which counteract each other and contribute to a certain outcome. Since the researcher has little direct effect on social reality, it is impossible to control these many mechanisms by way of experiments that are

available in the natural sciences. By studying an extreme case this can be overcome by showing that one particular variable of interest is present in an extraordinarily strong way and thus certainty that this variable is responsible for observed outcomes can be increased.

In the case of Slovenia, we see a rapid increase in economic openness as a result of its process of EU accession. Where Slovenia was one of the most closed economies before its membership application, it rapidly opened its borders to foreign investors afterwards. In 1999, it started to reduce existing capital controls, a process finished at its accession to the EU in 2004 (Silva-Jáuregui, 2004). After accession, Slovenia applied for membership of the EMU, which made it the first Eurozone member in post-socialist Central and Eastern Europe. These developments led to a rapid integration of Slovenia in the global financial markets and a rapid increase in inflows and inward stock of FDI (Brouwer, Paap, & Viaene, 2008; Petroulas, 2007).

An additional factor that makes Slovenia interesting as a case for studying institutional change after opening to global finance is that Slovenia is a small CME. Small states are more vulnerable to exogenous shocks (Armstrong & Read, 2002; Katzenstein, 1985). More than larger states small states are economically, politically and environmentally connected to other economies. Protectionist measures partly overcame this vulnerability. Nevertheless, these measures arguably do not completely elevate the vulnerability that is inherent to small states. The pressures that result from financial globalization therefore can be expected to have a bigger impact. Thus, Slovenia is an excellent case for examining the mechanisms that are generated by an increasing integration in the global market for finance.

3.2 Process tracing

Process-tracing is a method that can be placed within a scientific realist meta-theory of science (Hall, 2006; Checkel, 2015; Bennett & Checkel, 2015). Realism holds that the theories we use are not just useful instruments for describing the links between X and Y, but refer to a reality that exists independent of the observer. Reality exists of objects and the mechanism producing relations between them. These mechanisms are not directly observable, but produce phenomena that can be empirically observed to come to conclusions about the underlying mechanisms. These conclusions can be drawn through formulating hypotheses based on a set of theoretical assumptions, that subsequently can be either falsified or corroborated (Popper, 1959/2002; Lakatos, 1976). If hypotheses are falsified this means that the theory in its present form needs to be adjusted or rejected. A corroboration of a hypothesis means that the theory has currently passed the test and further research on the basis of this theory should be conducted.

The method of process-tracing may be used to test hypotheses through examining causal chains that lead from a certain cause to a certain effect through a series of intermediating events. A narrative can be produced that makes clear how these causes and events lead to a specific outcome over time and space. It is a historical method that is particularly suitable to testing theories that predict changes and continuities over time. Moreover, it is sensitive to the context in which these causal chains occur. Through the in-depth investigations of these chains of cause-and-effect, and the context in which these occur they can produce results that can be used for theory-testing.

In order to distinguish process-tracing from simple story-telling, it is necessary to have a clear ex-ante idea of the structures and agents at play. In this way, they provide a theoretically informed picture of the way theory is linked to reality. It is required to have a

clear picture of the relevant actors involved, the formation of their beliefs and preferences, the way they choose their actions and the collective outcomes that are produced by the individual actions of multiple, sometimes opposing, actors. Therefore, it is necessary to stringently base our predictions on the theoretical framework introduced in the previous chapter.

To come to an efficient process-tracing it is not enough to take an ‘anything goes’ approach. Instead, it is necessary to focus “on those links in the causal chain that are (a) weakest and (b) most crucial for the overall argument” (Gerring, 2007, p. 184). In other words, we need to look for those crucial arguments on which both theories most strongly contradict each other.

3.3 Data used

Process-tracing is a method involving a wide variety of techniques. Among others interviews, participant observations, content analysis, secondary analysis and the interpretation of quantitative data can be used. Through using different data sources, a more complete picture can be given than in a research that solely relies on one type of data. Different variables can be measured by using different data.

Traditionally qualitative research predominantly makes use of qualitative data, i.e. data that can be measured at a nominal or ordinal level. However, it is not necessary to limit qualitative research to these data. In many cases the use of statistical databases provides a good overview of changes in quantity over time. Therefore, it is possible and sometimes advisable to use quantitative data (measured at interval and ratio level) in qualitative research. Often this is done by way of mixed-methods research. This research cannot be said to be mixed-method in a strict sense, since the statistical techniques that are used are minimal.

Nevertheless, by including qualitative as well as quantitative data, my research question can be more fully answered.

3.3.1 Qualitative data

In the first place, qualitative data will be used. This paper will make use of the analysis of a number of different types of documents. This has a number of advantages. First, by analyzing secondary sources it is possible to build on empirical work that already has been done by other researchers. Second, the time-consuming process of doing fieldwork can be eliminated.

Three types of secondary sources will be used in this research. First, an extensive body of academic research on industrial relations and financial openness in Slovenia already exists. The findings of this body of research can be used in additional research, using different theoretical perspectives.

Second, I will make use of a number of data sources that provide an overview of events in Slovenian industrial relations. First, Eurofound – the European Observatory for Working Life – provides important and comprehensive updates on events in industrial relations in different countries. I have thoroughly searched the online archive of the foundation to be aware of important developments in industrial relations at different levels in Slovenia. Where necessary I have complemented this information with data from business papers, found through Lexis Nexis.

Given language limitations it will be necessary to primarily resort to English-language sources. These sources will be mostly business-oriented. This will give a good overview of changes in finance and industrial relations. Business will take an active interest in industrial relations in order to decide on investment opportunities and human resource management.

Nevertheless, it is important to be aware that the absence of sources that are aligned to labor may lead to some form of bias.

3.3.2 Quantitative data

An advantage of the use of quantitative data for this research is that it is able to give a reliable picture of changes on specific variables over time. The databases that will be used in this research contain time series for multiple variables measured in multiple countries. Analyzing these time series can give a reliable picture of the state of a certain indicator on a specific period in time. Moreover, a comparison between different points in time can be made that will give a reliable picture of change between t_0 , t_1 , t_2 , t_3 ... Thus, depending on the preciseness with which a certain indicator measures the same underlying thing on different points in time, a certain degree of reliability can be reached in measuring change.

A disadvantage of the use of quantitative data is that while it is able to measure the value of a certain indicator at a certain point in time and the changes between these points, they are less suited to investigate the events that occur between t_0 , t_1 , t_2 , t_3 ... and that form the causal link in the changes that take place. In other words, the use of quantitative data is less able to investigate the existence and activity of certain mechanisms that are in use.

3.4 Operationalization and hypotheses

In order to measure our hypotheses in this section I will operationalize the different variables that are used in this thesis. What is important for all variables is to choose the right time period to measure them. Since Slovenia started its process of EU-accession in December 1997, this will be taken as the begin point of institutional change. In the empirical chapter,

therefore first the situation that had developed until December 1997 will be described, after which the changes and continuities from 1997 onwards will be examined. The final year that will be covered by this thesis is 2015, because of the availability of reliable data.

3.4.1 Financial integration

In order to examine changes in financial integration of Slovenia in the global economy it is possible to look at both regulatory changes, as well as changes in ownership of Slovenian companies. Regulatory changes can provide the opportunity for foreign shareholders to invest in a country by opening markets. However, for a full financial integration it is not just important that regulation changes, but also that the investment profile of a country changes in favor of foreign investors. Therefore, two questions that can be answered using quantitative as well as qualitative sources need to be answered:

- To what extent has regulatory opening towards foreign capital taken place in Slovenia after 1997?
- To what extent has there been an inflow of foreign investment into Slovenia after 1997?

Next to the use of secondary qualitative sources this question can be answered by making use of quantitative data from multiple sources. A source that addresses regulatory openness is the Chinn-Ito Financial Openness Index (KAOPEN). This is an index that is frequently used in economics in order to measure the financial openness of a country (Chinn & Ito, 2008).

KAOPEN is based on a composite of scores on four different variables: *the presence of multiple exchange rates, restrictions on capital account transactions, restrictions on current*

account transactions and the requirement to surrender export proceeds. The values that a country can score range from 0, which represents an economy that is absolutely closed to a 2.5, which means that a country has no restrictions on foreign capital whatsoever. The advantage of the use of KAOPEN over other indices is that it “is a *de jure* measure of financial openness because it attempts to measure regulatory restrictions on capital account transactions” (p. 314). Thus, it gives a clear perspective on financial openness as a regulatory practice.

To determine dependence on foreign direct investment, the database on *‘Foreign direct investment: Inward and outward flows and stocks’* by the statistical division of the United Nations Conference on Trade and Development (UNCTADstat). In particular I will look at two indicators that are often used to measure FDI-dependence (Vliegthart & Overbeek, 2007; Nölke & Vliegthart, 2009; Schrooten & Stephan, 2005). First, the ratio of FDI-inflows to gross fixed capital formation will be used. Gross fixed capital formation is a measure that expresses the value of acquisitions of fixed assets by business. By looking at the ratio of FDI inflows to gross fixed capital formation an indication can be given of the extent to which the growth of companies depends on FDI. However, in research by Schrooten and Stephan (2005), this indicator is found to be insignificant for EU accession countries. Therefore, inward FDI-stock as a percentage of gross domestic product will be used as a second indicator. This has proven to be a significant indicator that it is difficult to obtain investments domestically.

3.4.2 Industrial relations

Industrial relations will be measured at the macro-, meso- and micro-level. The macro-level is the top-level where economic decision-making across different levels take place. Within this macro-level in different economic sectors employers and workers coordinate in order to ensure sectoral stability. At the micro-level individual firms coordinate their endeavors with their employees.

3.4.2.1 Macro

From the perspective of this research the negotiation of and compliance with social pacts, and the structure and strength of employers' organizations and trade unions is of particular importance. For the structure of trade unions and employers' organizations it is especially important whether they are organized along neo-corporatist or pluralist lines and to what degree employers and workers are member of these organizations. Therefore, three questions will be asked:

- To what extent were social pacts negotiated and concluded after 1997, and to what extent did employers' organizations and trade unions comply with these pacts?
- How did the effective number and membership density of employers' organizations develop after 1997?
- How did the effective number and membership density of trade unions develop after 1997?

Data

In order to answer the first question peer-reviewed articles and newspapers can be used.

Comprehensive literature is available on the development of social pacts in Slovenia up until

2015. For the second and third question, it is possible to look at peer-reviewed articles and newspapers. They will give qualitative information on changes in the status and power of trade unions and employers' organizations. Moreover, I will make use of the data provided by The Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 51 countries between 1960 and 2014 (ICTWSS). For the period between 1997 and 2014 this database provides information on four key variables to examine the strength of trade unions and employers' organizations:

- Number of Employers' Confederations (Organizations)
- Employers' organization density, as a proportion of employees in employment.
- Effective Number of Union Confederations
- Union density rate, net union membership as a proportion of wage and salary earners in employment

Hypotheses

(Hypothesis 1) historical institutionalism macro: At the macro-level increasing integration in the global financial market, lead to the strengthening or stability of tripartite concertation within a CME.

Hypothesis 1 will be corroborated if social pacts will be concluded on a regular basis between employers' organizations and trade unions. The absence of a social pact or non-compliance with it will be exceptional. The negotiation process will be relatively smooth. If on the other hand there will start to be a regular absence of social pacts, non-compliance will be common and there is intensifying conflict in the conclusion of those pacts, this could serve as a partial falsification of the hypothesis.

Furthermore, it is expected that the number of employers' organizations and trade union confederations will remain stable or even will become lower (but the number of organizations at either side will not get below 1), and density will remain stable or increase. If there will be more pluralism at either side, or density rates drop with more than 10 percent, this will serve as a partial falsification of the hypothesis.

(Hypothesis 2) Régulation School macro: At the macro-level increasing integration in the global financial market, will lead to the weakening of tripartite negotiations within a CME.

Hypothesis 2 will be corroborated if the absence of social pacts will become more common and the negotiation process will become more conflictual. After a pact has been concluded employers' organizations will be more inclined to withdraw compliance. If on the other hand social pacts will generally be present, negotiations go smoothly and there is a general compliance with these pacts, this could serve as a falsification of hypothesis 2.

Furthermore, it is expected that the number of employers' organizations and trade union confederations will increase, leading to more pluralism, and density will decrease between 1997 and 2014 (data for 2015 is absent). If the number of organizations at either side decreases and density rates remain stable or increase this will serve as a falsification of the hypothesis.

3.4.2.2 Meso

At the meso-level I emphasize changes in the role of collective bargaining at this level. From the perspective of this thesis three things are of particular importance. First, the level at which collective bargaining predominantly takes place. This can vary between the national level, the sectoral level and the company-level. Second, bargaining can either be conflictual or more based on consensus. Third, the collective coverage rate. Changes in collective coverage can be used as a good indicator of the importance of agreements, which are concluded for the labor market as a whole. If collective coverage diminishes this is an indicator of segmentation of the labor market. Thus, three questions will be asked:

- At what level does collective bargaining take place?
- To what extent is collective bargaining in Slovenia characterized by conflict?
- What is the extent of collective coverage in Slovenia?

Data

In order to examine changes at the meso-level from a qualitative perspective first some journal articles will be used. During the recent years meso-level negotiations in Slovenia have been less well-researched than cooperation at the macro-level. Therefore, it is important to look at newspaper articles as well. The most important aspects are the conclusions of wage agreements at the meso-level and the occurrence of sectoral strikes. Meso-level bargaining is strongly connected to the conclusion of agreements at the macro-level. This connection will be looked at.

To complete the meso-level view it is possible to look at an important indicator from a quantitative view. This can be taken from the ICTWSS-database and is called '*Collective*

Coverage rate (ColCov)'. The value of this indicator is expressed in percentages of 'all wage and salary earners in employment'.

Hypotheses

(Hypothesis 3) historical institutionalism meso: At the meso-level increasing integration in the global financial market, will lead to a strengthening of sectoral wage-bargaining between employers' organizations and trade unions within a CME.

From a qualitative perspective, it is expected from the historical institutionalism hypothesis that wage-agreements will keep being concluded at the national or sectoral level. Employers will comply with agreements that are being made and sectoral strikes will be unusual. If evidence is found that agreements will be more difficult to conclude and there is more industrial action, the hypothesis is falsified. Quantitatively the historical institutionalism hypothesis is corroborated if the collective coverage rate will stay the same or increase. If the collective coverage rate drops the historical institutionalism hypothesis is taken as falsified.

(Hypothesis 4) Régulation School meso: At the meso-level increasing integration in the global financial market, will lead to a weakening of sectoral wage-bargaining between employers' organization and trade unions within a CME.

From a qualitative perspective, it is expected from the Régulation School hypothesis that wage-agreements will increasingly be concluded at the company-level. Employers will be less inclined to participate in bargaining at the sectoral level and more industrial conflict will occur in the conclusion of agreements. If agreements keep being concluded at the sectoral or

national level the hypothesis is falsified. Quantitatively the Régulation School hypothesis is corroborated if the collective coverage rate will decline between 1997 and 2013. If collective coverage stays the same or increases, the hypothesis is falsified.

3.4.2.3 Micro

At the micro-level, it is most important to look at the role of workers as stakeholders in the company. The main theoretical discussion is between that of either stakeholder capitalism, under which workers have an important role within companies, and shareholder capitalism, in which workers have a minor role and management serves the interests of owners over the interests of workers. To answer the main question, it is important to look at three important factors:

- What is the role of workers in the board structure of companies, and how did this role develop after 1997?
- How are workers involved in participation at the work floor, and how did this participation develop after 1997?
- What is the main orientation of managers within companies, and how did this orientation develop after 1997?

Data

A vast body of literature is available on the involvement of workers in companies in Slovenia. Most of this literature focuses either on regulatory changes with regard to the representation of workers on supervisory boards, the role and functioning of works councils and their relation to trade unions, or the way managers relate to works councils. Mostly this literature is

found in management journals, as opposed to the other levels, which are more often addressed in political science. Due to practical limitations, it has not been possible to access quantitative data on the role of works councils and stakeholder orientation.

(Hypothesis 5) historical institutionalism micro: At the micro-level increasing integration in the global financial market, will lead to an increasing involvement of employees as stakeholders in company decisions within a CME.

If hypothesis 5 is corroborated this would mean that we have found evidence that the role and functioning of works' councils and supervisory boards has increased over time. Regulatory changes will take into account the representation of workers and their role within the company will be strengthened. Works councils are expected to cooperate more strongly with trade unions, and managers will be focused on the role of workers as stakeholders in the company. Conversely, if managers adopt more of a shareholder orientation, the role of works councils and workers representatives on supervisory boards will weaken, and there is less cooperation between works councils and trade unions at the sectoral level, this will serve as a falsification of historical institutionalism.

(Hypothesis 6) Régulation School micro: At the micro-level integration in the global financial market, will lead to a decreasing participation of workers in firm-level decision-making within a CME.

If hypothesis 6 is corroborated this would mean that we have found evidence that the role and functioning of works' councils and supervisory boards has decreased over time. Regulatory

changes will weaken the representation of workers and their role in the company. Works councils are expected to cooperate less effectively with trade unions, and managers adopt a shareholder-orientation. Conversely, if managers maintain a stakeholder-orientation, the role of works councils and workers representatives on supervisory boards strengthens, and there has been more effective cooperation between works councils at the company-level and trade unions at the sectoral level, this will serve as a falsification of the Régulation School hypothesis.

3.5 Limitations of the current research design

Adopting hypotheses in the form $X \rightarrow Y$ makes the assumption that agents react in a more or less predictable and rational way, that can be uncovered by general laws. This limits the extent to which agency and complexity are taken into account. While structural conditions offer incentives and put constraints on social interaction, agents will usually have the choice between two or more options within the constraints put upon them within a structure. Therefore, reality will seldom fully correspond to universal laws. Moreover, because reality is complex, often certain mechanism will be counteracted by others, which will make it inconceivable that universal laws if present will be fully uncovered. This is partly neutralized by choosing for an extreme case study. Yet, by using different qualitative techniques, such as participant observation and interviews, it will be possible to take agency and complexity more fully into account.

Practically the current research is limited, because of language barriers. The lack of access to sources in the Slovenian language means that some sources that may provide

valuable information cannot be used. Another practical limitation is the difficulty in accessing some databases that provide valuable quantitative information.

4. Empirical chapter

4.1 Financial integration

Qualitative

After breaking away from the Socialist Federal Republic of Yugoslavia a heavily politicized debate emerged in Slovenia about its mode of privatization (Mencinger, 2004; Mramor & Jasovic, 2004). A group under the intellectual leadership of economist Jeffrey Sachs and the political leadership of prime minister Lojze Peterle and minister Igor Umek advocated a rapid government-led privatization through the free distribution of shares to the population. This faction met fierce opposition from trade unions and a group of intellectuals and politicians led by minister of economic affairs Jože Mencinger, and economists Marko Simoneti and Uroš Korže. The latter advocated a gradual and decentralized approach to privatization that made use of the already existing structure of self-management within companies. In 1992 the conflict between these groups led to the first massive strike in post-independence Slovenia, which resulted in the resignation of the Peterle-government. A compromise was reached that was codified in the Ownership Transformation Act. Through the OTA, ownership of the newly privatized companies became mainly held by employees and a number of state-owned funds.

The privatization process largely prevented the takeover of companies by foreign investors. Subsequent to primary privatization capital controls were implemented that prevented foreign investors from buying shares from domestic owners (Silva-Jáuregui, 2004; Buch & Hanschel, 1999). Among others this was achieved by creating bureaucratic hurdles that made investing in Slovenian companies a cumbersome process for foreigners. Those barriers remained in place for most of the 1990s and largely sheltered Slovenia from the influence of the global financial market. This resulted in a gradual, but steady pace of economic growth without any major economic shocks.

Slovenia's process of EU-accession brought major changes in the governance of the economy. To fulfil the obligations that are put upon member states to establish free movement of capital Slovenia had to remove its capital controls (Mramor & Jasovic, 2004; Adam & Tomsic, 2012). The Europeanization of Slovenia and the removal of capital controls were widely supported and led to little opposition from trade unions or other societal actors, since it was believed to increase economic growth. Like other new member states Slovenia changed its growth model from one that was based on consolidation of domestic companies to one that was oriented on export-competition and attracting foreign investments. This gave rise to '*investment promotion machines*', i.e. ad hoc power blocs that are focused on the attraction of foreign investment (Drahokoupil, 2009; Pal, 2013).

After the global financial crisis Slovenia started to endure a shortness of sources of patient capital (Furlan, 2014; Stanojević & Kanjuo Mrčela, 2016). Slovenian banks became more restrictive in providing capital to domestic companies, and public debt increased exceeding the Maastricht criteria threshold of 70 percent of GDP. At the same time due to the situation on the world market it became more difficult to attract foreign investment. A recession ensued that lasted until 2010, which was followed by a major banking crisis in 2012. This banking crisis was largely solved by selling bank bonds to foreign investors, which proved to be successful, but caused a further increase in foreign ownership in the Slovenian economy (MacDowall, 2015). The result was that the importance of foreign finance as a source of economic growth increased relative to the pre-crisis years.

Quantitative

An analysis of quantitative data provides a clear picture of year-to-year changes in financial openness, and the state of FDI inflows and foreign ownership in Slovenia's economy. The analysis of a number of data sources leads to evidence important changes have occurred, as suggested by the qualitative analysis.

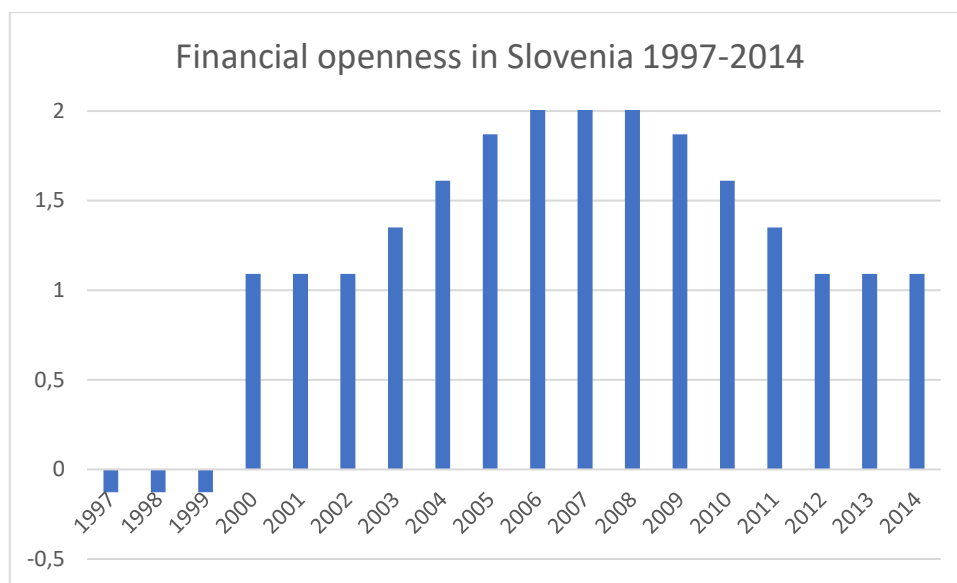


Figure 2 Financial openness in Slovenia (KAOPEN) 1996-2014

These changes were partly regulatory. Up until 1999 Slovenia's political economy was still characterized by little regulatory openness for foreign financial sources (figure 2). Changes started in 2000, the year after the Slovenian government lifted investment barriers. The trend towards more openness subsequently proceeded until 2008, when Slovenia had gone from a highly closed to a highly open economy. After 2008 there seems to be a decrease in openness, which can likely be attributed to measures to counter the economic crisis. Nevertheless, the Slovenian market remained much more open than in the period before starting negotiations for EU-accession.

The increase in economic openness in Slovenia resulted in increasingly volatile inward flows of FDI (figure 3). Where FDI inflows in the period before EU accession were relatively stable, they started to vary strongly from 2001 onwards. In 2009, shortly after the global financial crisis, and 2013 inflows even temporarily became negative, meaning that investors withdrew more financial capital from the Slovenian economy than they invested. Between 2013 and 2015 inflows increased strongly. One of the reasons for this could be the status of Slovenia as a small country. Because of the small country effect, one or a few big investments or withdrawals of investment already may lead to a large swing in FDI-inflows.

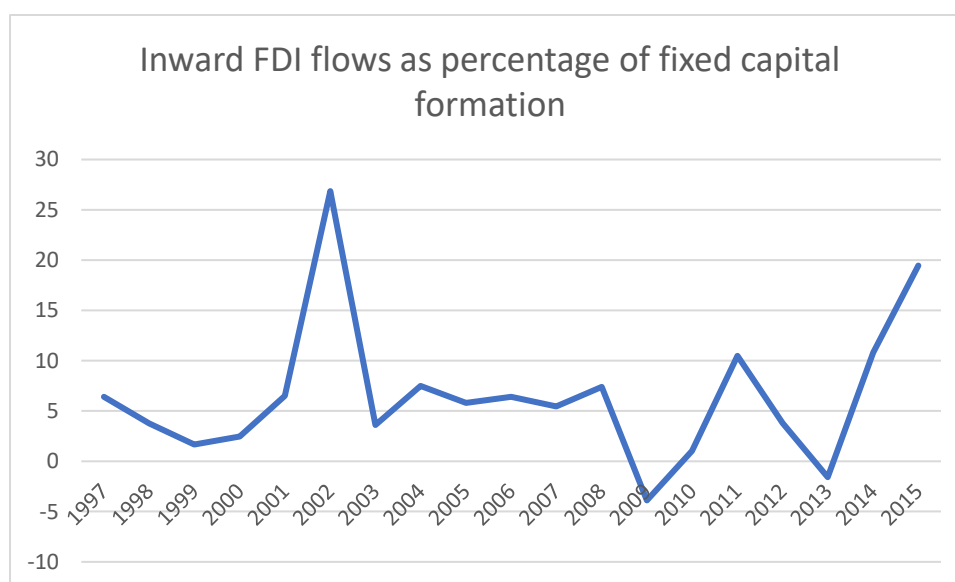


Figure 3 Inward FDI flows into Slovenia as a percentage of fixed capital formation. Source: UNCTAD Stat.

Not surprisingly FDI-flows are linked to FDI-stocks (figure 3), although stocks prove to be a less volatile measure of the extent to which a country is penetrated by FDI. FDI-stock started to increase as soon as Slovenia started to open its financial markets. Initially investors still were reluctant, with FDI stock only rising slowly in 2000 and 2001. In 2002, a vast and sudden increase in inward FDI-stock – corresponding to the peak in inflows seen in figure 3 – has emerged. This led to a rapid change in ownership structure in Slovenia's economy.

Afterwards there was a noticeable trend towards growing FDI-stock, but increases only were gradual.

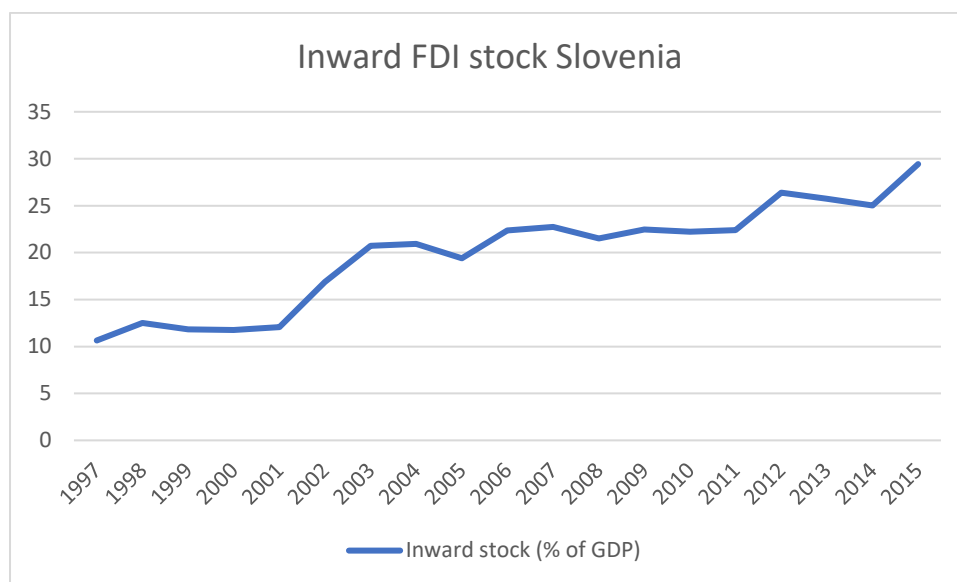


Figure 4 Inward FDI stock in Slovenia in % of GDP. Source: UNCTAD stat.

Analysis

In the financial sphere Slovenia lost most of its typical CME-characteristics. Where growth during the 1990s mostly was based on patient capital, in the 2000s FDI became the main source of growth. This became possible through the regulatory opening of Slovenian markets. While it is apparent that after the crisis of 2008 the growth of foreign ownership in the Slovenian economy stagnated for some time, this cannot be directly translated into a lesser importance of foreign capital for the Slovenian economy. Instead of a return to patient capital in the period after 2008, Slovenia witnessed a long period of economic stagnation. The economic downfall could not be overcome by patient capital due to the shortfalls of Slovenian banks. Thus, even when the main source of continuous growth ran dry, the structural power of foreign investors over the Slovenian economy increased.

4.3 Industrial relations

In June 1991, Slovenia became independent from the Socialist Federal Republic of Yugoslavia. Already under the old regime in Slovenia Fordism was the most developed among the six socialist republics, which constituted the federation (Feldmann, 2014).

Yugoslavia was characterized by a mixture of a formal economy – which had developed along Fordist lines – and a large informal, subsistence-based economy. Characteristic for Slovenian Fordism was the combination of macro-level coordination at the national level and a system of workers' self-management, under which workers largely controlled corporate decision-making (Pienkos, 1986). After independence Slovenia's socialist system transformed into a CME, in which employers and workers coordinated their endeavors at three different levels.

Slovenia's system has again undergone important changes after it started to lift barriers to foreign capital, which had an impact on the relation between employers and trade unions in the republic. The rest of this subchapter will describe the industrial relations that developed during the early 1990s, followed by an analysis of the changes that took place when Slovenia opened itself to foreign capital, at the macro-, the meso-, and the micro-level.

4.3.1 Macro

At the macro-level, the Economic-Social Council that was established in 1994 is the most important organization involved in economic-decision making on macro-corporatist issues (Feldmann, 2006; Stanojević & Klarič, *The impact of socio-economic shocks on social dialogue in Slovenia*, 2013). The Economic-Social Council consists of five representatives each, from trade unions, employers and the government. Every few years it drafts a social pact that involves social, economic and wage policies. The Social Pacts that are drafted form the framework within which meso- and micro-level corporatism takes place. This leads to the conclusion that macro-corporatist policy was strongly institutionalized during the 1990s.

Employers in the new Slovenian system of industrial relations were organized within three organizations: The Chamber of Commerce, the Association of Employers and the Trade Chamber (Feldmann, 2006; Luksic, 2003). Of these three organizations, the Chamber of Commerce is the most important due to its compulsory membership for companies. The system of mandatory organization favored large corporations over small business, leading to support among the former and a more critical stance among the latter.

Labor in Slovenia during the 1990s was strongly organized as well (Visser, 2015; Feldmann, 2006). One trade union confederation, the Association of Free Trade Unions of Slovenia, organized the majority of the Slovenian labor force. Organized labor within the system of macro-level decision-making could be seen as an equal partner to employers, resulting from their high membership density and their strike capacity that was not often used but was proven to be a relevant force. This was proven in 1992, when the first democratically elected Slovenian government stepped down as a result of a general strike against the Sachs-Peterle-Umek proposal that aimed at rapid privatization of Slovenian companies in the hands of foreign investors (Mencinger, 2004).

The Slovenian government, while being represented in the Social-Economic Council, played only a secondary role (Skledar, 2003). Slovenian law regulated collective bargaining and the nature of social partnership. The Law on Labour Relationships (LLR) and the predating Law on Basic Rights from the Labour Relationship (LBRLR) were by itself incomplete and relied on supplementation by social agreements. The Slovenian government nevertheless not always actively upheld the social partnership, for example when it retreated from the formation of a social pact in 1995. Employers and unions despite reluctance by the government came to an agreement, which shows the structure of social pacts was not dependent on state involvement.

Changes in macro-level industrial relations

Qualitative

When Slovenia opened its markets for foreign capital, in the wake of its EU-accession this initially seemed to provoke little institutional change. The coordinated macro-level relations that had started to take shape during the 1990s seemed relatively strong institutionalized in the system of the ESS and subsequent social pacts (Stanojević & Krašovec, Slovenia: Social pacts and political exchange, 2011). In the period after Slovenia became an applicant member of the EU, pacts that regulated wage restraint were routinely adopted by employers, unions and governments.

In 2003 a broader agreement was signed that was “the most extensive, most complex and also the most precisely structured” (ibid.: p. 247) of all pacts that had been signed hitherto. This pact among others contained measures aimed at successful EU-integration, inflation reduction through wage restraints, tax reforms and employment growth. It aimed at providing a compromise between offering wages that prevented social dissatisfaction and competitiveness in global markets. After the 2004 elections a government came into power that was less favorable towards the unions and proposed neoliberal reforms aimed at further labor market flexibilization (Stanojević & Krašovec, 2011). These reforms were cancelled after a major general strike in 2005 that caused a decline in public support for the government.

The year 2006 saw an important reform that drastically changed the playing field in Slovenia’s system of industrial relations (Stanojević & Kanjua Mrčela, 2016). The law that made membership of the Chamber of Commerce mandatory for employers was changed. Membership of employers’ organizations became voluntary. This led to a decline in the membership rates of the Chamber of Commerce and led to the emergence of new employers’ organizations that started to compete with the Chamber of Commerce (Feldmann, 2014). As a

result of this competition the position of employers' organizations radicalized, arguing more fiercely for liberalization and flexibilization. At the same time, the membership rates of trade unions dropped drastically and the pluralism among them rose, which led to a radicalization on their side as well.

When the global financial crisis hit the country, the altered organizational underpinnings of the Slovenian social model led to the inability to take effective countermeasures through the use of the old system of social dialogue (Feldmann, 2014; Stanojević & Krašovec, Slovenia: Social pacts and political exchange, 2011). While high inflation forced the government to seek renewed cooperation with the social partners, unity among those social partners became more difficult to achieve. Increasing pluralism among employers and trade unions led to a situation where different organizations started to appeal to specific constituencies, in order to attract new members. National consensus was no longer ensured, especially among employers, where a schism between large corporations and small- and medium-enterprise had been present for a longer period of time. Employers under these circumstances chose to move away from their support for macro-level bargaining and instead started to focus more on negotiations at lower levels.

During the crisis, the center-left returned to power after four years of absence from government (Feldmann, 2014). Where it previously had almost automatically supported the demands of the trade unions, they now chose to focus more strongly on implementing unilateral social and economic measures. This formed a serious threat to the Slovenian consensus-model and led to increasing levels of industrial conflict. The trade unions, who increasingly started to compete with each other, chose to aim for increasing wage-demands in order to off-set inflation.

Under the conditions of heightened conflict between the government, trade unions and employers, in 2009 for the first time no new social pact was concluded when the old one expired (Kanjuro Mrčela, 2015; Stanojević & Kanjuro Mrčela, 2016). The government had unilaterally decided to increase the minimum wages to accommodate the demands of the trade unions. Employers were radically opposed to these measures, fearing the resulting increase in wage costs. Out of protest they decided to retreat from the social dialogue. Nevertheless, the government decided to unilaterally implement the minimum wage increase.

In 2012 an attempt was made by the social partners to renew social dialogue by working on the conclusion of a new social pact for the years 2012-2016, agreeing that the goal of overcoming the crisis could only be reached through cooperation in the Economic and Social Council (Kanjuro Mrčela, 2015). The guidelines for this social contract were signed by all major employer organizations, trade unions and the government. Subsequently an agreement was reached between the social partners that incorporated labor market reforms and the strengthening of labor inspection services, but left wage policy to the social partners. In the end, discord between the trade unions and the government about imposed austerity measures resulted in the refusal of six of the major trade unions to sign the agreement (Clauwaert & Schömann, 2013).

In 2013 the Slovenian government reached consensus with representatives from business and labor over the issue of labor market reform (IHS Global Insight, February 7, 2013). In the same year unions and the government came to an agreement on public sector wage cuts (IHS Global Insight, May 15, 2013). After coordination between business, the government and labor, in 2015 a new Social Pact was reached (IHS Global Insight, January 30, 2015). This pact aimed to address fundamental issues regarding labor legislation, health care and pension insurance. The pact was short-lived, because employers withdrew their

support in opposition to the perceived violation of the Social Pact. They deemed the new minimum wage law that was adopted by the government and supported by the trade unions unacceptable.

Quantitative

Since 1997 there have been considerable quantitative changes at the macro-level of Slovenia's system of industrial relations (Visser, 2015). De-unionization had set in from the moment Slovenia became independent, falling from 66.5 percent in 1991 to 48.1 percent in 1996. However, this process accelerated from 1997 onwards when Slovenia opened its markets to foreign capital. In 2008 union density had already declined to 26.6 percent, further decreasing to 21.2 percent in 2014. Moreover, the number of union confederations increased from 2 in 1991 to 7 in 2014, pointing to a turn from a clear neocorporatist union structure to an effective trade union pluralism.

At the side of employers' organization density decreased as well, albeit less drastically and starting at a later point than union density. Where in 2007 all employers were organized in the Chamber of Commerce, the membership of employers' organizations fell to 85 percent in 2008 and 60 percent in 2013.¹ Meanwhile the number of employers' organizations increased from 3 in 1991 to 4 in 1994 and 5 in 2014. This shows that employers were turning away from organized relations as well, but numerically at the time still were stronger than trade unions.

¹ Data are only available for the years up to 2008, and subsequently for 2011 and 2013 (Visser, 2015).

Analysis

As a result of Slovenia's integration in the global financial market macro-level industrial relations have deteriorated. Where during the 1990s macro-level coordination had become the central focus of Slovenian industrial relations, the organizational underpinnings of the Slovenian social model in the early 2000s started to erode. This was partly the result of legal changes that abolished compulsory membership of the Slovenian Chamber of Commerce. Increasing organizational pluralism among employers and trade unions led to a more conflictual approach to macro-level coordination. Contrary to the theoretical expectations of this thesis, this wasn't solely the result of a changing orientation of employers. Both trade unions and employers occasionally opted for withdrawal from negotiations or non-compliance with social pacts, while the government in its turn more often chose for unilateral policy-making. In line with the expectations by the Régulation school, macro-level coordination proved no longer a viable part of Slovenia's system of industrial relations.

4.3.2 Meso

Meso-level industrial relations in Slovenia during the 1990s were strongly nested in the macro-level system of cooperation between unions, employers and the state (Skledar, 2003; Feldmann, 2006). The central level put strong constraints on bargaining at the sectoral level. Social pacts extensively regulated the most important issues involving wages. They allowed limited space for variation in wage developments between different industrial sectors. The meso-level was of secondary importance to obligations put down in macro-level social pacts. Nevertheless, some space for sectoral level bargaining was offered, and agreements on this level that involved trade unions and employers were mandated by law.

The system of wage bargaining, likely due to its limited importance, was cooperative with limited conflict within different industrial sectors (Feldmann, 2006). In the public sector, the government and unions of public sector workers shared the goal of providing decent wages, while keeping the burden for tax payers at a relatively low-level. In the private sector, a Keynesian model could be found that assured that wage-increases were on par with increases in productivity and in this way production and consumption were balanced.

Changes in meso-level industrial relations

Qualitative

A number of important structural changes have occurred in Slovenia's system of meso-level industrial relations. The first is the uncoupling of meso-level bargaining from macro-level social pacts (Visser, 2015; Stanojević & Krašovec, 2011; Stanojević, 2012). This was mostly the result of changes established in the 2004 social pact that required employers and unions in different industrial sectors to negotiate wages among themselves (Skledar, 2004).

This often led to deadlock and a heightened degree of industrial conflict between trade unions and employers (Skledar, 2004; Kanjuo Mrčela, 2015). Bargaining over new collective agreements from the start proceeded slowly, which resulted in the threat of a general strike. This strike was postponed after considerable progress had been made in the negotiations over the sectoral agreements. New agreements were concluded in most industrial sectors that led to significant pay increases, in line with the demands of the unions. Those increases most strongly affected the lowest paid workers.

In 2005 the metalworkers' union prepared a two-hour warning strike in some companies in the metal and electronics industry, to demand higher pay increases than employers initially offered (Skledar, 2005). The unions and employers subsequently came to an agreement that included a compromise about pay increases, after which the strike was

cancelled. In 2006 employers unilaterally scrapped the collective agreement for the textiles industry. Yet, this didn't lead to a significant reaction from the unions. Instead, the unions emphasized that the collective agreement was based on an outdated agreement from 1997 and understood the wish to advance the negotiations by scrapping the old agreement (Skledar, 2006). The first significant sectoral strike took place in 2013, again in the metal and electronics industry. 14.000 workers went on strike, in order to demand higher wages (Skledar, 2013). This strike resulted in a compromise between employers and trade unions, which entailed an increase of the lowest wages in the electronics industry to a level above the national minimum wage (Skledar, 2013).

Quantitative

After 1997 initially little changed in the coverage of workers in both the public and the private sector. Full coverage was the norm until 2005. This changed when after 2005, in order to be more competitive in an environment of globalized markets for investment, mandatory extension was no longer the practice in the private sector. Collective coverage rapidly decreased from full coverage in 2005 to 70 percent in 2014, leaving an increasing share of Slovenia's working population without collective coverage. In the public sector coverage remained at 100 percent. An important factor seemed to be the failure to come to binding macro-level agreements after 2009.

Analysis

The decline of macro-level industrial relations in Slovenia gave rise to the emergence of an independent system of meso-level wage bargaining. This bargaining mostly took place at the sectoral level, but from its beginning was plagued by difficulties. In the early stage changes

led to an intensification of industrial conflict. Moreover, the changes in bargaining led to a decline of collective coverage. The government no longer extended wages to all workers and through the disestablishment of mandatory membership of the Chamber of Commerce, it became easier for companies to exempt themselves from sectoral wage deals. Thus, in line with the expectations of the Régulation School the system of collective wage-bargaining was weakened.

4.3.3 Micro

In 1993 the first Slovenian Company Act was introduced (Bohinc & Bainbridge, 2001; Conchon, 2011; Hojnik, 2008). In this act, a dual-board structure for companies was established with a supervisory board that appoints the members of the management board and monitors its functioning, and a management board that is responsible for the company's day-to-day operation. In large enterprises (1000+ employees) half of the members of the supervisory board consisted of representatives of employees, while in smaller enterprises at least one-third of the board consisted of employee representatives. The rest of the board consisted of representatives of different groups of shareholders. While workers were strongly represented, especially in large companies, when the votes of shareholders were unitary these shareholders held the decisive vote.

The employee representatives were usually elected by works councils or, in the absence of those, directly by the workers (Kohl, Lecher, & Platzer, 2000; Conchon, 2011; Franca & Pahor, 2014). Works councils were not compulsory, but when present, managers are obliged to cooperate with them. The rights of works councils were established under the Employee Participation Act of 1993. Next to the appointment of employee representatives on the supervisory board from the members of the works councils, they had the right to

information, consultation, codetermination and suspension of management decisions on specific areas.

In practice, according to Stanojevic and Gradev (2003) an adversarial style of industrial relations developed at the micro-level, in which management and employees often stood in opposition to each other. In case of conflict, management often was able to form a block together with shareholders. The vote of those shareholders was decisive, if they voted in a unitary way. Despite the limited real power of employees, companies in Slovenia during the 1990s were characterized by a focus on consolidation and employee satisfaction over profits and delivering value to shareholders (Lahovnik, 2009). Thus, managers during the 1990s had a stakeholder- rather than a shareholder-orientation. This was largely the result of companies being characterized by insider ownership, with employees often being shareholders (Buchen, 2007).

The works councils of companies generally formed the link between the micro- and the meso-level (Kohl, Lecher, & Platzer, 2000; Franca & Pahor, 2014). There was strong coordination between sector-level unions and works councils at the company-level. Often members of works councils were active in trade unions. In order to be provided with the information that is necessary for the monitoring and implementation of sectoral-level agreements in companies, trade unions depended on the information that was delivered to them by the works councils. Thus, during the 1990s the micro-level became an integrated part of the structure of coordinated industrial relations in Slovenia.

Changes in micro-level industrial relations from 1997 to 2014

Qualitative

At the beginning of the 2000s Slovenia changed its strategy from one that was focused on endogenous growth to export-promotion and the attraction of FDI (Pal, 2013). This led to important regulatory changes, pertaining to the micro-level of industrial relations (Hojnik, 2008). In the first place EU-accession encompassed the introduction of the possibility of establishing a *Societas Europaeae* (SE) in Slovenia. The SE is a legal form that is established through European corporate law, allowing among others for the establishment of a single-tier board and offering a weaker position to workers participation than under Slovenian law. This led to demands by the business community to change the Slovenian Company Act accordingly, in order to remain competitive (Hojnik, 2008). These wishes were granted by the Slovenian government and in 2006 the Slovenian Company Act was amended in order to allow companies a choice between a single-board and a dual-board system. As of 2011 no SEs were registered in Slovenia yet (Conchon, 2011), possibly due to the option to set up a similar legal form under Slovenian law.

Following the changes in the Slovenian Company Act in 2007 the Employee Participation Act was changed as well (Conchon, 2011). Under the single-board system employees have less participation rights than in companies with a dual-board system. Where in the dual-board structure workers have the right to be represented on the supervisory board by one-third to half of its members, in the single-board system employees are allowed to have between 1 member on a 5-person board, to 3 members on a board consisting of 11 board members. Moreover, where board-level employee representation previous to this change was mandatory for any publicly listed company, the threshold for representation has been raised to a minimum of 50 employees.

Works councils have kept functioning in most of Slovenian companies, even where these were taken over by multinational corporations (Pal, 2013; Meardi, et al., 2009).

Qualitative changes in the functioning of works councils mostly take the form of an increase of their range of tasks. They have acquired a more important role in regulating overtime and weekend work in the dominant exporting industries in Slovenia. The influence works councils have on flexible employment, which is used to adjust the labor force to fluctuations in the business cycle, is limited. Moreover, the effectiveness of works councils varies. Whereas in some companies works councils have a strong influence on corporate decision-making, in others managers increasingly act on their own accord. This has led to a weakening of coordination between management on the one hand, and works councils and sectoral trade unions on the other.

Whereas significant changes have taken place in the role and functioning of works councils and supervisory board, trade unions and workers keep relying on the structure of interest representation that came into existence during the 1990s (Pal, 2013). Concerns keep being addressed through works councils, which provide information to sectoral trade unions and are in turn used by those unions as channel to communicate with workers at the company-level (Brewster, Wood, Croucher, & Brookes, 2007).

The traditional channel of interest representation in companies proves a problem for defending the interests of the increasing group of temporary workers (Pal, 2013). These workers typically are not unionized and do not participate in decision-making through works councils equal to core workers (Pfeifer, 2005). Trade union membership might reduce their future chances for permanent employment and they might not see the future benefits of changes. Thereby it becomes increasingly difficult for the traditional structure of industrial relations to effectively implement state law and regulation with regards to temporary employment and employees with fixed-term contracts become less protected.

The weakening coordination between management, and works councils and trade unions has not led to a change in managerial orientation (Stubelj, Dolenc, Biloslavo, Nahtigal, & Laporšek, 2017; Pal, 2013). Even when not taking works councils directly into account, managers often keep preferring a stakeholder-orientation over solely serving the interests of owners. For managers customers are the most important group of stakeholders to take into account, followed by employees. Only after that come the interests of owners. Managers of companies believe a stakeholder-orientation brings added value to the firm and leads to achieving long-term success. This holds true for firms with different ownership structures. While managers of foreign-owned firms take owners more into account, even for them other stakeholders are the most important.

Analysis

The results of integration in the global financial market on micro-level industrial relations in Slovenia are mixed. On the one hand, workers have lost power over company boards through the introduction of the possibility of a single-board structure. This largely resulted from perceived competitive pressures. Slovenian companies feared that the introduction of the SE would harm their position relative to transnational corporations. The Slovenian government was receptive to their concerns and changed the company law to make it possible for them to adopt the same structure as their European counterparts. On the other hand, works councils have acquired rights to decide on overtime and weekend work, thereby giving them some power over increasing flexible arrangements for core workers. Managers of companies have maintained their stakeholder-orientation, which also points to continuity in micro-level industrial relations. Therefore, both historical institutionalism and the Régulation School can be applied to the micro-level.

5. Conclusion

5.1 Main findings

In this thesis, I have examined the effects of the integration of CMEs into the global financial market on industrial relations. I have developed a framework to analyze industrial relations at three interrelated levels: the macro-level at which social partners conclude social pacts, the meso-level at which employers negotiate wages with workers, and the micro-level at which workers are given a voice in the company. This framework has been applied to the extreme case of Slovenia, a CME that has seen rapid changes in its financial sphere over the past two decades.

In order to examine the changes and continuities that were brought about through the lifting of regulatory barriers to foreign capital and dependence on foreign investment, two contradicting theories have been used. Historical institutionalists expect path-dependency to lead to the relative stability of institutions. They expect that institutions that are already in place will be strengthened, in order to be more competitive in the global economy. The Régulation School radically contradicts historical institutionalism. It expects a turn towards short-run flexibility through a shifting institutional hierarchy, leading to the dominance of the sphere of finance over industrial relations.

Those theories have been tested, using process-tracing in order to examine the developments in Slovenia's system of industrial relations. The starting point of the research into changes that took place is 1997, when Slovenia started accession negotiations with the European Union, and the final year is 2015. In order to perform a proper process-tracing I have used qualitative and quantitative data, thereby offering a thorough picture of the changes that took place.

The findings of my research show that Slovenia's system of highly coordinated industrial relations has undergone significant changes at all three levels. These changes point to an increasing focus on short-term flexibility, under the pressure of global finance. The Slovenian state has introduced regulatory changes that make it easier for Slovenian companies to compete at a level playing-field with transnational corporations. Those changes often undermined the multi-level system that had been in place. Wage bargaining was decentralized from the national level to the sectoral level, and company law was changed to allow Slovenian companies the choice for a monistic board-structure in which workers had a much weaker role than in the dual-board structure. These changes were brought about under pressure from Slovenian companies themselves, who feared losing competitiveness to foreign investors.

These regulatory changes have led to a different attitude of employers towards the Slovenian social model. From the moment Slovenia opened its borders to foreign capital, the consensus model has been undermined. Pluralism among employers' organizations and trade unions increased, and they have chosen a more confrontational approach towards the negotiation of, and compliance with social pacts. Conflicts have intensified after the 2008 financial crisis, which strongly impacted the Slovenian economy, leading to the eventual collapse of the system of social pacts. While the social partners have done renewed attempts to conclude a pact, negotiations failed, or if pacts were concluded employers rapidly withdrew from them.

The decline of the macro-level has been accompanied by the stronger articulation of meso-level industrial relations. Where meso-level agreements first were subordinate to wage measures that were part of social pacts, sectoral wage bargaining has taken a stronger role in Slovenia's system of industrial relations. Yet, at the same time a large group of workers is no longer covered by those agreements. One of the main causes is the increase in the use of

temporary employment by Slovenia's export-industries (Pal, 2013). Employees with a fixed-term contract, do not enjoy the same rights as those with an open-ended contract. They are easier to lay-off, when the demands of global markets necessitate a reduction of the workforce.

At the micro-level CME-characteristics proved the most resilient. While the dual-board structure that is characteristic for coordinated industrial relations is in decline, managers of firms have maintained a strong stakeholder orientation. Moreover, works councils have increased their influence over issues like overtime and weekend work. At the same time, the increasing flexibilization of the labor pool has made it more difficult for works councils to defend the rights of all workers. They often face difficulties in organizing the increasing pool of temporary workers and have difficulties defending their interests. Thus, a division emerges between the core workers of companies and workers with flexible contracts.

Thus, what emerges is a system in which the company-level becomes increasingly important as the main level where industrial relations take place (Stanojević & Kanjuo Mrčela, 2016). Works councils play an important role in the protection of workers, who increasingly face flexible arrangements. The 'old' multi-layered system under pressure from financial globalization has started to show major difficulties in coordinating the interests of firms and their employers. As of yet it is not feasible to speak of a complete abandonment of the CME-model. In the years to come it remains to be seen whether the trend will go towards an even further flexibilization or towards a readjustment of the CME-model.

5.2 Theoretical contributions

5.2.1 The Régulation School corroborated

The findings of my research largely corroborate the theory of the Régulation School, which expects financial globalization to lead to a more flexible system of industrial relations. All three levels of industrial relations have undergone changes in the direction of more short-run flexibility. The macro-level has largely collapsed, while the meso-level and micro-level seem to mostly protect core workers. Moreover, at the micro-level workers have lost influence over corporate boards. At the same time, some elements of Slovenia's industrial relations system prove more resilient than others. At the micro-level, the theory of the Régulation School has difficulties explaining the persistent stakeholder orientation by managers, and the increasing influence of works councils over some issues affecting core workers.

In order to explain this discrepancy, it might be useful to look to institutional legacies over a longer period of time (Feldmann, 2006; Crowley, 2004). Path-dependency as used in this research has a medium- and short-term focus, overlooking long-term trends. It may be necessary to take a closer look closer at industrial relations in Slovenia during the time of the SFR Yugoslavia. This system consisted of company-level participation by works councils, and a level of national coordination (Pienkos, 1986; Stanojević, 2012). At the micro-level, the interests of works councils prevailed over those of management, and workers were seen as the most important stakeholders of a company. This model enjoyed a relatively high level of legitimacy. The macro-level was mostly a vehicle for the League of Communists, and might have been seen as less legitimate. Therefore, stakeholder orientation and works councils are deeply embedded in Slovenia's industrial history and may not be easily abolished.

5.2 Macro, meso, micro

The most important additional theoretical value of this thesis is its focus on different institutional levels. Previous research often has studied those levels in isolation, either focusing on social pacts, on wage bargaining or on company-level workers participation. Providing a comprehensive picture, involving different levels of industrial relations, has shown the complementarity between those levels. Having a congruent system of industrial relations has not proven to be a guarantee for institutional continuity. In line with the Régulation School it might be more feasible to speak of an institutional hierarchy between different levels. Where in the first decade after independence in Slovenia macro-level institutions were dominant over the meso- and the micro-level, in the 21st century a system of micro-level dominated industrial relations is emerging.

An important step in developing a better framework from which to analyze these different levels would be to overcome the crudeness of the LME/CME distinction. A number of authors have distinguished the CME in different subtypes (Thelen, 2014; Waddington & Conchon, 2016; Amable, 2003). Often the distinction is made between Nordic CMEs or Social democratic capitalism, mostly found in the Scandinavian countries, and Continental CMEs or continental capitalism, mostly found in continental Western Europe. Slovenia before integrating in the global financial market showed a mixture of both typologies, by combining a strong macro-level, mostly characteristic for the Nordic model, with the codetermination typically found in the Continental model. Therefore, Slovenia might point to the existence of a third subtype.

5.3 Limitations and further research

While the current research has been able to examine structural changes in Slovenia's industrial relations, it didn't fully take agency into account. This obscures the power relations that caused the structural changes that have been found. Partly this shortcoming can be attributed by the choice for the use of secondary sources. Those sources only give a limited view of the motivation of actors and the reasons behind their chosen strategies. In order to overcome this obstacle, I recommend using additional techniques in future research.

Conducting interviews with key players in industrial relations as well as the financial sector will be a logical step to gain a more in-depth understanding of the motivation of different agents. It remains to be seen whether the behavior of employers indeed is motivated by the need for foreign finance.

Moreover, an agency-centered view may lead to more insight in the use of the multi-level industrial relations system by different actors, to advance their own interests. While it is often assumed in the Varieties of Capitalism literature that actors use institutions as resources (Hall & Soskice, 2001; Hall & Thelen, 2009), it is often not made explicit how they do this. The conceptual use of multiple levels of industrial relations can make such research possible, since it may show how actors use different channels and coordinate their efforts at different levels. Thus, there are multiple benefits to using a more actor-oriented approach in Varieties of Capitalism research.

Another caveat of this research is the generalizability of a single case study. While an extreme case can offer a high degree of internal validity by establishing a plausible connection between cause and outcome, the external validity is necessarily more limited than in large-N research (Gerring, 2007). The existence of a causal connection between finance and industrial relations can be made more plausible by applying the model to a larger number

of cases. For this purpose, it is recommended to complement qualitative research with quantitative research. While some scholars have used quantitative techniques to show a strong correlation between the financial sphere and industrial relations at a single point in time (Hall & Gingerich, 2009), statistical techniques have not yet been usefully applied to the investigation of institutional dynamics. Therefore, it would be recommended to apply time series analysis to a larger number of CMEs. My research points in the direction of reliable data sources that can be used for this purpose.

5.4 Societal relevance

This research has some broader implications for CMEs. If further integration into the global financial market has an effect on industrial relations in CMEs, this means that actors operating within this field have to adjust their strategies to new conditions. For firms, it will be less feasible to depend on the involvement of employees, and on maintaining long-term relations with them. They will have to adjust their strategies in order to remain profitable. For example, investment in training and education of workers is no longer guaranteed to pay off (Estevez-Abe, Iversen, & Soskice, 2001). This means that firms need to adjust production strategies to make better use of temporary workers. Education and training increasingly will have to be taken on by the state.

States in their turn will need to readjust their systems of social protection in order to accommodate the new conditions of the labor market. The system of social protection in CMEs is based on the idea that workers are involved in the firm on a long-term basis (Hall & Gingerich, 2009). The macro-level of industrial relations in CMEs ensures a high level of social protection for people who are active on the labor market. If this type of coordination is undermined the state needs to take more unilateral action. Moreover, at the micro-level

shorter tenures within firms and higher turnover rates might be expected as a consequence of increased flexibility. This will lead to an expanding group of people who are ‘in between jobs’. It might be expected that this will lead to an increase in social spending on the temporary unemployed.

The changes in industrial relations have strong implications for labor as well. The traditional channels of interest representation no longer suffice for advancing the interests of workers. While in the factories core workers will be able to voice their concerns through works councils, an increasing number of people is excluded from this channel of interest representation. It is important for trade unions and works councils in CMEs to acknowledge this problem and ensure that the voice of temporary workers will be heard. Where wage negotiations start to take place at the company-level, instead of the sectoral level, it is important that sectoral trade unions coordinate these negotiations in order to prevent underpayment of groups of workers. Moreover, in order to compensate for the deregulation of macro-level coordination, it is important that trade unions coordinate their efforts on a global scale through organizations such as the European Trade Union Confederation (ETUC). Through transnational coordination they can overcome the limits of national systems of interest representation and create the possibility of a renewed corporatism on a transnational basis.

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