

**GLOBALISATION, INSTITUTIONS
AND INTERESTS: AN INTEGRATED
FRAMEWORK FOR COMPARING
INDUSTRIAL RELATIONS REFORM
IN AUSTRALIA AND NEW ZEALAND**

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*Working Paper 15/01
March 2001*

Abstract

The aim of this paper is to develop an integrated theoretical framework which is capable of explaining similarities and differences in national patterns of industrial relations in the context of globalisation. The first half of the paper reviews three theoretical frameworks that can be used to compare industrial relations developments in different countries - simple globalisation, the new institutionalism and a material interest approach to political economy. It argues that whilst institutionalist arguments tend to dominate analysis of the effects of globalisation on national patterns of industrial relations, a model which combines institutionalist and material interest approaches can overcome some of the anomalies attendant in institutionalist analysis. The second section demonstrates the benefits of an integrative theoretical framework for explaining patterns of industrial relations reform in Australia and New Zealand during the 1980s.

GLOBALISATION, INSTITUTIONS AND INTERESTS: AN INTEGRATED FRAMEWORK FOR COMPARING INDUSTRIAL RELATIONS REFORM IN AUSTRALIA AND NEW ZEALAND

INTRODUCTION

In industrial relations scholarship growing attention has focused on the effects of globalisation on national labour standards and national patterns of industrial relations. It is commonly assumed that globalisation has a homogenising effect on national policy regimes. Increasing interdependence between nations, it is thought, has downgraded the ability of national governments to shape policy and influence the outcomes of state action. As a consequence it is suggested that globalisation is likely to produce a convergence of national labour standards in "a race to the bottom". Such an approach leaves little scope for meaningful comparative analysis.

There are a number of critiques of this simplistic globalisation model which argue that, despite significant changes in the international economy, there is still considerable scope for national policy autonomy and cross national variation in policy frameworks and outcomes. These critiques leave scope for more sophisticated comparative analysis of the effects of globalisation on national patterns of industrial relations. Within comparative analysis, there are two main schools of thought on the most appropriate ways to explain cross-national patterns of similarity and difference in the context of globalisation. One school, which is associated with what we will label the *new institutionalist* framework, places greatest stock in national level institutions and their relationships with each other, and with interests, ideas and political developments. New institutionalist analyses tend to emphasise differences between nations. Thus institutionalists argue that even though developed nations may face common external (often 'global') pressures, these common pressures are refracted in different ways by specific national level institutions. Therefore common pressures are likely to produce cross-national differences in industrial relations policies and patterns. This approach has been extremely prominent in recent explanations of cross national variation in industrial relations policies and outcomes in developed countries. It has also been influential in the comparative literature on industrial relations reforms in Australia and New Zealand during the 1980s and 1990s.

The second school, which we will call a *material interest* framework, is less commonly adopted in industrial relations scholarship. A material interest approach emphasises the role which coalitions of societal interests play in shaping policy outcomes. This approach suggests that cross national variations in industrial relations policies and patterns are likely to reflect differences in the configuration of material interests between countries and differences in the policy coalitions that form in different countries. Thus like the institutionalist framework, this approach can explain cross-national differences in the face of common pressures. However unlike the institutionalist approach, these approaches can also potentially explain similarities between countries stemming from similar patterns of material interest and commonalities in the policy coalitions that develop.

The main objective of this paper is to explore whether it is possible to synthesise these two approaches into an integrated framework which can be used to analyse similarities and differences in industrial relations policy in Australia and New Zealand during the 1980s and 1990s. These two countries provide fertile ground for comparative analysis because they have been commonly (and credibly) cited as having once been very similar from a broad international perspective, but having diverged markedly during the 1980s and 1990s in the face of economic pressures broadly associated with globalisation. In this context of this divergence, a small but interesting comparative literature developed which explained industrial relations developments in the two countries in terms which were largely consistent with institutionalist approaches to the relationship between globalisation and industrial relations (see, for example, Bray and Haworth 1993b; Bray and Walsh 1998; and Gardner 1991.)

However, while this literature has drawn attention to a range of important variables that influenced national industrial relations patterns, it has been largely unable to explain the declining significance of the institutional differences between the cases and the similarities in industrial relations developments which have emerged since the mid 1990s. Our overriding argument is that an integrated approach, which incorporates the insights of both new institutionalist and the material interest frameworks, can provide a more robust explanation of the similarities and differences between Australia and New Zealand than those arguments that rely solely on an institutionalist approach.

GLOBALISATION, INSTITUTIONS AND INTERESTS: A REVIEW OF THE FRAMEWORKS

Simple Globalisation and its Critics

Most contemporary popular and academic commentary on the consequences of changes in the international economy for national level industrial relations has taken place within a *simplistic globalisation framework* (see for example Ohmae 1995; Reich 1991; see also Jacoby 1995). This simple globalisation framework is structured around a *convergence* hypothesis which views national policy regimes as becoming increasingly similar under the pressures of globalisation (for a review, see Boyer 1996). As such it offers little scope for theoretically meaningful cross-national comparative analysis. Indeed, at its extreme this approach predicts an end to the nation state and an end to geography.

This simplistic globalisation framework has been widely criticised.¹ A number of scholars have questioned the extent to which markets are becoming globalised (see, for example, Hirst and Thompson 1996 and Wade 1996). There has also been a questioning of the view that globalisation necessarily erodes the power of the national state and produces convergence of national policy regimes. Thus a number of authors have noted that the nation-state still has the capacity to drive policy in ways which can offset the negative consequences of globalisation (see, for example, {Garrett, 1998 #78}; Evans 1997; and Weiss 1998). For instance, Weiss (1998: 188-212 and Hirst and Thompson (1996: 170-194) argue that national governments can and do still sustain different monetary and fiscal policies. Others argue that many states use globalisation as an excuse to constrain domestic political demands (Notermans 1993, 1994; Sobel 1994; Helleiner 1996). These authors all argue that there exists, not only possibilities, but a political *need* for either a 'statist' or 'labourist' response to globalisation to avoid increased socio-economic inequality and poverty (for a critique of this position from a radical perspective see Radice 2000).

These criticisms of globalisation feed comparative analysis. The most valuable contribution to comparative analysis by the critics of globalisation is that they identify the key areas in which governments maintain their autonomy. This provides comparative research with key variables upon which to base comparison. It also helps to relate international economic change to domestic policies and policy paths.²

Nevertheless the critique of the simple globalisation framework cannot by itself provide for comparative analysis. Effective comparative analysis requires an in-depth consideration of broader, as well as specific, aspects of national contexts. As Castles (1988: 36) argues, all capitalist nations are on the surface similar, if for no other reason than that they are capitalist. But Castles points to the requirement in comparative analysis for a lower level of abstraction, such that the particularities of nations should be the focus. The critique of the simple globalisation framework, which concentrate on demonstrating that nation states still have autonomy, do not delve deeply enough into the comparison of cross-national contexts necessary for understanding the impact of globalisation on national patterns of industrial relations.

6+¹ for a more detailed overview of the debates about globalisation see Perraton, J. et al., 1999 and Radice, 1999 #123}

² There is not space here to elaborate on these points.

The New Institutionalism

These issues are addressed in more detail in the comparative policy and international political economy literatures. In these literatures, there are two broad approaches to the relationship between globalisation and national policy regimes which can be applied to the comparative analysis of national patterns of industrial relations. The first approach to the comparative analysis of policy frameworks is associated with the *new institutionalism* in comparative politics.³ The primary insight associated with new institutionalism is that social institutions play an important role in shaping political and economic outcomes- that is, "institutions matter". Because institutions structure decision making and preference formation, this implies that political and economic outcomes cannot be "read off" inputs. Thus, differences in national level institutions, or the relational pattern of a range of institutions, are likely to produce cross-national differences even in the face of common pressures.

This approach has been very influential in explaining a broad range of policy differences across developed countries including foreign policy (Ikenberry 1988); economic policy (Hall 1986 and King 1992); taxation systems (Steinmo 1993); differences in welfare provisions (Pierson, 1994 and Castles and Pierson 1996) and health care arrangements (Immegrut 1992). It has also become increasingly influential in the field of comparative industrial relations. As Hyman (1998: 7) notes:

If there is a dominant analytical premise of recent Anglo- American research it is the principle that 'institutions matter'. The institutional framework of industrial relations, established either by law or by 'historic compromises' between the organisations of workers and employers... generates norms, practices and mutual expectations which acquire considerable inertia... Hence national differences in industrial relations behaviours- or 'outcomes'- tend to persist, resisting subsequent pressures to convergence.

In a prominent example of this approach, Locke and Thelen (1995) argue that while international economic developments have created uniform pressures for increased flexibility, the types of flexibility sought and the success with which this has been achieved differs from country to country, reflecting state-societal differences. For example, they argue that similar pressures created the conditions for the breakdown of centralised bargaining in Sweden, on the one hand, and for significant work reorganisation in the United States, on the other. Therefore, they argue, "international trends are *not* in fact translated into common pressures in all national economies but rather are mediated by national institutional arrangements and refracted into *divergent* struggles over particular national practices" (Locke and Thelen 1995: 338).⁴

While institutionalist approaches have provided robust explanations for cross national variations in industrial relations policies and outcomes, there are a number of features of these approaches which limit their ability to provide a comprehensive framework within which to understand the relationship between globalisation and national patterns of industrial relations. First, these models concentrate on differences between countries and have trouble explaining similarities. As a consequence institutionalist arguments tend to exaggerate differences between countries and downplay the similarities that may exist (see Pontusson 1995). Second while these arguments are able to explain the impact of national level institutions on policy outcomes, they are largely unable to explain changes in national level institutions themselves (Remmer 1997). Even Hall (1998: 183), a prominent exponent of the new institutionalism, argues that:

³ As has been widely noted there are a number of new institutionalisms in a variety of disciplines. We use the term *new institutionalism* in this paper to refer to the variety of new institutionalism in comparative politics that Thelen and Steinmo, amongst others, refer to as *historical institutionalism*. For more detailed discussion on the varieties of new institutionalism and their main features see, for example, Thelen, K. and Steinmo, S., 1992; Hall, P. and Taylor, R., 1996; Immegrut, E., 1998; and Goodin, R., 1996. For an attempt to draw connections between the new institutionalism and mainstream industrial relations theory see Bray, M. and Wailes, N., 1997. For an excellent, and prescient, application of new institutionalism to contemporary industrial relations debate in Australia see Gardner, M., 1991.

⁴ See Wailes 2000 for a review of new institutionalism in the contemporary comparative industrial relations literature.

The bite of such analyses turns on the resilience of institutions, and institutions are not immutable. To the degree that the core institutions of the political economy are subject to change, the focus of analysis must shift towards the socio-economic and political coalitions that underpin them and toward more dynamic theories of institutional determination. At a minimum, analysts who take this approach must develop fuller theories designed to account for continuity and change in the organisation of the political economy.

Interest Based Approaches

As the quote from Hall suggests, there is another major approach to explaining cross national similarities and differences in the comparative policy literature which can be applied to understanding the effects of globalisation on national industrial relations systems. This approach, which focuses on *material interests*, is widely used in the international political economy literature.⁵ The primary insight associated with the material interest approach is that policy patterns are underpinned by coalitions of interests groups. Changes in international economic conditions (like those associated with globalisation) can significantly impact on the material interests of different societal actors. This can have potential consequences for the stability of existing policy coalitions and can create possibility for the formation of new policy coalitions. From a comparative perspective, it can be argued that different countries are integrated into the international economy in different ways and therefore have different configurations of material interests. Therefore similar changes in the international economy may result in the formation of different policy coalitions. Nevertheless it is also conceivable that policy coalitions will form around similar policy patterns in different countries.

The material interests framework has been widely adopted to explain cross national similarities and differences in trade policy and levels of protection (see, for example, Rogowski 1989; Garst 1998; Midford 1993 and Coram 1993). It has also been influential in explaining cross national variations in economic policy (see, for example, Gourevitch 1986; Frieden 1988; Frieden 1991; Silva 1993). It has also recently been used to explain the dynamics of public sector restructuring and changes in welfare provision across countries (see, for example, Schwartz 1994; Clayton and Pontusson 1998).

However, unlike the new institutionalism, it has not figured widely in comparative industrial relations scholarship. Nevertheless, there appear to be no *a priori* reasons that such an approach could not be usefully applied to issues of industrial relations. There is a long tradition of treating industrial relations institutions as the outcome of compromises between societal interest groups (Korpi 1978). Industrial relations policies and institutions have economic consequences and, as with trade policy and welfare policy, it seems reasonable to assume that they are likely to be politically contested in times of economic change.

While this approach has not been widely adopted in the broader literature on comparative industrial relations, it has been deployed in recent debates about the decentralisation of bargaining in Sweden (see for example Swenson 1989, 1991a, b; Iversen 1996, 1998 and Pontusson and Swenson 1996). In one prominent example of this approach, Pontusson and Swenson (1996) argue for a fundamental reassessment of the decentralisation of bargaining. The standard view holds that the centralisation of bargaining in Sweden was a product of labour strength and decentralisation during the 1980s reflected declining power of labour. They reject this view and suggest that both the centralisation during the 1950s and the decentralisation of bargaining in Sweden during the 1980s reflected changes in the preferences of groups of employers and workers in the export sector. On this basis they argue that changes in the bargaining structure in the 1980s reflected the formation of cross class alliance of both employers and unions in the export sector in favour of decentralised bargaining in response to changes in the international economy. They conclude by arguing that:

⁵ As with the new institutionalism, there are a number of different versions of the material interest framework and it is known by a number of different terms including open polity, society centred and interest based. For an overview see Milner, H. and Keohane, R., 1996. See also Gourevitch, P., 1978, 1986 and Caporaso, J. and Levine, D., 1992

Viewing the Swedish case through comparative lenses suggests that exogenous material changes are a major source of employer preferences for institutional change. However it also shows that those pressures while international do not work their way evenly across countries, bringing a uniform demise in corporatism and centralised bargaining. The industrial structure varies across countries; different sectors, including the public sector, respond differently to external market and technological forces. Therefore change in the structure of national bargaining systems, built and maintained by distinct cross class and cross sectoral coalitions, will also vary (Pontusson and Swenson 1996: 247).

As this quote suggests a material interest framework can provide the basis for comparative analysis of the effects of globalisation on national industrial relations systems. Unlike the institutionalist approach, it is able to account for both similarities and differences between countries across space and over time. Furthermore, unlike the institutionalist approach, it is able explain institutional change and does not just focus on outcomes.

However there are a number of potential weaknesses associated with a material interest framework. Hall (1998: 178), for example, argues that interest based models assume that extra parliamentary lobbying or electoral coalitions are determinate in policy making and notes that “despite the centrality of coalitions to this perspective, it pays little attention to the collective action problems associated with coalition formation and the acquisition of influence.” These criticisms echo those of Garrett and Lange (1996: 49) who argue that open polity models “pay relatively little attention to the relationship between preference change and policy outcomes” and ignore the role that institutions may play in structuring politics and determining preferences.

The Potential for a Synthesis

The criticisms of the two approaches suggest the possibility of a synthesis. On the one hand, criticisms of the institutionalist approach imply the need to concentrate on extra institutional sources of policy preferences and the role that differences in the integration of countries in the international economy may play in this shaping these preferences (for more detailed discussion see Pontusson 1995). On the other hand, criticisms of the material interest approach suggest that these models need to take account of the independent effect that institutional arrangements can have on political and economic outcomes. In both cases, the implication is that the adoption of insights from the other approach has the potential to improve their explanatory power. Thus it can be argue that it is possible to develop an integrated model for the comparative analysis of the effects of globalisation on national patterns of industrial relations which captures both the insights of both approaches and overcomes many of their limitations.

While such a task is beyond the scope of this paper, there have been a number of attempts at synthesis in the comparative policy literature which can serve as examples. In an effort to overcome limitations of institutionalist explanations of cross national policy developments, Hall (1999) sketches out what he calls a synthetic model that attempts to combine insights from both the institutionalist and the material interest approaches. His model consists of “two levels, one nested inside the other”. The first level represents the network of institutional arrangements surrounding the firm. While Hall argues that this institutional ensemble plays a significant role in influencing firm behaviour, he suggests that the stability of the network is a function of second order factors, which constitute another level of analysis.

Thus Hall (1999: 150) argues that “the continued existence and smooth operation of ... institutions also depend on a broader set of factors that include the presence of specific public policies, social coalitions and socio- economic conditions”. In this way, while his analytical focus remains on the importance of institutions, he incorporates the insights associated with a material interest framework into an institutionalist framework. He is thus able to provide an explanation for institutional change that is missing in other institutionalist approaches.

While Hall’s model is an attempt to overcome the limitations of an institutionalist approach, Garrett and

Lange's (1996) model is an attempt to overcome the limitations of a material interest framework. They develop a four stage model which attempts to explain "how and why extant institutions mediate in the relationship between internationally induced changes in policy preferences of domestic actors, on the one hand, and political outcomes (both policy and institutional change) on the other. Thus, they argue that specific national responses to changes in international economic conditions are mediated by the position of the particular country in the international economy, socio-economic institutions (by which they mean institutions like trade unions and employer associations) and formal public institutions. This model improves the material interest approach in that it provides an independent role for institutional arrangements. It also improves on institutionalist arguments because it is able to explain institutional change (stage IV).

While in both cases these integrated models aim to explain "policy" and "institutions" in general, it seems reasonable to argue that such an approach could provide a useful framework for the comparative analysis of the effects of globalisation on national industrial relations systems. Indeed closer examination of the models reveals that institutions and outcomes associated with industrial relations like bargaining structure, trade unions and employer organisations figure heavily in these models.

LIMITATIONS OF INSTITUTIONALIST APPROACHES TO INDUSTRIAL RELATIONS DEVELOPMENTS IN AUSTRALIA AND NEW ZEALAND

It is also possible to empirically test the potential benefits of an integrated model for explaining the comparative effects of globalisation on national industrial relations systems by examining its ability to explain real world developments. The preceding analysis suggests that an integrated approach can provide a more robust explanation of similarities and differences in industrial relations reform in Australia and New Zealand during the 1980s and 1990s than the existing comparative literature which is dominated by institutionalist explanations.⁶ This section briefly outlines the industrial relations policy developments in Australia and New Zealand during the 1980s and 1990s and the comparative literature that developed in response to these policy developments. It argues that while this comparative literature provided a number of important insights, it also has some limitations which reflect its reliance on an institutionalist approach to comparative industrial relations. The next section briefly sketches out how an integrated approach can be used to overcome these limitations.

As has been widely noted there are a significant number of historical and institutional similarities between Australia and New Zealand which make them a fertile ground for comparative analysis. Briefly, the two countries share a common heritage in the use of compulsory conciliation and arbitration, similarities in the broader pattern of public policy and similarities in their economic structures (see Bray and Haworth 1993a; Bray and Walsh 1998; Castles 1985; Castles 1988). Both countries appeared to be affected by changes in the international economy associated with globalisation in similar ways (see Wailes 1997). Both countries elected labour governments in early 1980s. In response to international economic pressures these governments set about introducing fundamental changes in the relationship between state and economy (Castles et al 1996a, b).

Against this backdrop of overriding similarity, an apparent divergence developed in industrial relations policy in the two countries. Put simply, under the auspices of the Accord, reform of the labour market in Australia took place within the confines of the existing institutions of arbitration. While many aspects of this institutional framework were significantly altered by successive reforms, the arbitration system remained in place. (for overviews see Dabscheck 1989, 1995; McCallum, 1995 and Rimmer 1997). In New Zealand, however, reform of the labour market in response to international economic pressures resulted in

⁶ Or indeed an analysis which was to concentrate solely on material interests. Each of its authors have previously used one of these approaches- Ramia, G., 1998 having used new institutionalism and Wailes (2000) having adopted a material interests framework. This paper has its origins in a number of conversations between the two authors in which we have tried to resolve differences in our approach to recent developments in Australia and New Zealand.

the complete dismemberment of the traditional institutions of industrial relations. The newly elected Labour government quickly rejected the option of a voluntary incomes policy and set about reforming the arbitration system in an effort to increase levels of enterprise bargaining (Boston 1987; Boxall 1990 and Harbridge and Walsh 1999). The election of the National government in 1991 resulted in the introduction of a radical contractual system of labour regulation and the removal of all remaining vestiges of the arbitration system in New Zealand. For Bray and Neilson (1996:68) these developments meant that '[d]uring the 1980s and 1990s industrial relations policy in Australia and New Zealand diverged more than at any other time since the turn of the century'.

This divergence created the conditions under which industrial relations academics in the two countries could exploit the similarities between the two countries to isolate the reasons for the divergence. It was in this context that a considerable body of literature comparing industrial relations reform in Australia and New Zealand was developed. In general this literature isolated a number of institutional and organisation factors which appeared to account for the divergence between most similar cases (see Wailes 1999). One of the main differences between the countries identified in this literature related to the labour movements. Thus it was argued that differences in the organisational strength and coherence of the union movement; the relationship between the political and industrial wings of the labour movements; and in the structure of the labour parties had consequences of the viability of a voluntary incomes policy in the two countries (see Boston 1987; Bray and Walsh 1993, 1995, 1998; Gardner 1995; Harvey 1992; Mitchell and Wilson 1993; Quiggin 1998; Sandlant 1989).

A second set of institutional and organisational differences identified in this literature related to employers associations. The coherence and unity of the New Zealand employer movement was compared with the divided and fractured nature of employer organisations in Australia. It was argued that as a consequence New Zealand employers were in a better position to lobby for deregulation of the labour than were their Australian counterparts and that this contributed to differences in industrial relations policy in the two countries (see, for example, Plowman and Street 1993; Wanna 1989; and O'Brien 1994).

Finally a number of authors noted differences in the formal political institutions in the two countries and the implications this had for introducing radical labour market reform. Thus it was argued that the unitary nature of the New Zealand government; the lack of a written constitution; its unicameral parliament and the powerful status of cabinet vis-à-vis the party and caucus all allowed governments in New Zealand to introduce more sweeping changes in legislation than their Australian counterparts (see for example Boston and Uhr 1996; Bray and Neilson 1996; Bray and Walsh 1998; Mitchell and Wilson 1993; Rimmer 1997; and Wilson 1998).

Taken together these three factors provided a robust explanation for why industrial relations policy in two similar countries diverged during the 1980s. Furthermore, these cases dealt specifically with the consequences of international economic changes, of the type generally associated with globalisation, for national patterns of industrial relations. It can therefore be argued that this literature provides strong empirical support for the institutionalist approach to globalisation and industrial relations that currently dominates comparative industrial relations scholarship.

However, while the comparative literature has made a number of important contributions and isolated some important factors, there are a number of limitations associated with this literature which reflect its almost exclusive focus on institutional factors. First, this literature tends to exaggerate the historical similarities between the two cases. As a number of the authors note institutional and organisational differences between the union movements and in employer organisation reflect differences in the operation of the arbitration systems in the two countries and the structures (and complexity) of their economies (see Bray and Walsh 1993, 1995; Sandlant 1989 and Castle and Haworth 1993). Because of the focus on institutions in the literature these differences are largely ignored. One important set of differences between the two countries, which is not institutional in character, is the relative severity of economic crisis faced by the two countries from the 1980s. The economic imperatives that faced New Zealand during the 1980s (and indeed during the 1990s) were of a far greater order than those experienced by Australia.

Second, the focus on institutions in the comparative literature has tended to exaggerate the differences in industrial relations outcomes in the two countries in the contemporary period. While there are differences in the institutions of the two countries, there is an overriding similarity which is not addressed in the comparative literature. As Brosnan and Campbell (1997: 2) note:

in international comparison Australia presents a radical example of labour market deregulation, paralleled only by the more abrupt shift of its trans-Tasman neighbour. As such it offers another useful test of the effects of neoliberal policies on labour markets and labour.

A third limitation with the comparative literature on industrial relations reform in Australia and New Zealand is its ability to account for recent developments in the two countries. While there may have been a stark divergence in industrial relations policy in the two countries in the late 1980s and early 1990s, developments in Australian industrial relations since 1993 has resulted in increasing convergence between the two countries. Legislation introduced in Australia in 1993 and 1996 has brought Australia industrial relations much closer to New Zealand than was the case in 1991. This convergence despite continued differences in the institutions which in an earlier period were deemed to be causally significant. Because of its excessive focus on institutional factors, the comparative literature has been largely unable to account for why these institutions no longer seem to matter.⁷

AN INTEGRATED APPROACH TO INDUSTRIAL RELATIONS REFORM IN AUSTRALIA AND NEW ZEALAND: A BRIEF OUTLINE

These limitations suggest that the explanatory power of the comparative literature on industrial relations reform would be enhanced by the adoption of an integrated approach to the relationship between international economic change and national patterns of industrial relations. The implication is that the existing focus on institutional factors in the literature could be usefully complemented with a focus on similarities and differences in the configuration of material interests in the two countries.

While the full development of this analysis is beyond the scope of this paper, it is instructive to focus on the question "why did the institutional and organisational differences between the two countries matter less during the 1990s than it did during the 1980s?" It can be argued that differences in the economic structures of the two countries and the severity of external economic crisis in two countries had consequences for the stability of the industrial relations systems in the two countries. Thus in New Zealand, the relative weakness of domestic manufacturing, the severity of the economic crisis and changes in economic policy settings eroded the coalition of interests behind arbitration during the 1980s. In Australia, during the 1980s a coalition of interests formed between workers and employers in the metals sector and senior union and government figures behind the existing institutions of industrial relations. It was under these conditions that institutional and organisational differences between the two countries assumed significance. However by the early 1990s the failure of industrial restructuring, continued external economic pressures and changes in government policy settings undermined the stability of the arbitration coalition in Australia in much the same way as had happened in New Zealand in the 1980s. In these circumstances employers and unions sought not just changes in the outcomes delivered by the institutions but also in the institutions themselves. Institutional differences between the countries help explain the degree to which radical institutional change was achieved but an exclusive focus on institutions is not sufficient to explain the similarities and differences between the countries.

CONCLUSION

⁷ The extent to which the comparative literature cannot accommodate similarities in the cases, and the declining salience of institutional factors, can be seen in the title of Bray and Walsh's (1998) paper "Differing Paths to Neoliberalism", which continues to stress difference between the countries.

Taken separately, the new institutional and material interests frameworks can only provide limited utility in understanding similarities and differences between national policy regimes in the current era. Globalisation theory, even in its most enlightened forms, can only provide *indications* of how national policy regimes will adapt to the international economic environment. New institutionalism is useful at pointing to the possibilities of cross-national difference, whereas material interests tends to explain similarity. Our argument is that it is only through a combination of the approaches can a reliable comparative analysis be derived; one which considers the economic context of globalisation as well the evolution of institutions historically.

The potential benefits of an integrated approach can be seen in relation to the comparison of industrial relations reform in Australia and New Zealand during the 1980s and 1990s. The comparative literature has tended to overemphasise the differences between Australia and New Zealand over the 1980s and 1990s. Though we would not seek to problematise the interpretation of the 1980s, our analysis points to greater similarity than the current literature suggests.

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