

THE ARCHITECTURE OF MARKETS

AN ECONOMIC SOCIOLOGY
OF TWENTY-FIRST-CENTURY
CAPITALIST SOCIETIES

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IT HAS NOW BEEN ABOUT 20 years since sociologists began to take the problem of the structure of work seriously in empirical work on stratification. The so-called new structuralism has tried to embed the employment relation in larger units of analysis, such as organizations, sectors, classes, labor market segments, and even nation-states.¹ Theoretical work (Hodson 1986; Kalleberg 1988; Fligstein and Fernandez 1988) has tried to view the production of labor relations as the interaction between groups of laborers and employers with varying amount of resources. This latter approach has the positive effect of introducing dynamics into the formation of labor markets. But it still fails to locate these dynamics in the context of creating institutions or rules that govern these dynamics.

My purpose in this chapter is to situate the study of labor market processes in the context of the political-cultural approach. In chapter 3, I discussed how labor markets were structured by the constitution of conceptions of property rights, governance structures, and rules of exchange. I want to explore in a more explicit way how to think about the structuring of work in a society as the outcome of the political conflict between workers, government officials, and capitalists and the labor market institutions they create. I want to explain how this balance of power affects the conception of work and who gets to organize it. I also want to consider how the educational system of a society is shaped by these conflicts and plays a role in reproducing a particular set of labor market institutions.

The central object to explain is the emergence of employment systems. These can be defined as the rules governing relations between groups of workers and employers that concern the general logic of how "careers" are defined and how groups organize to maintain these conceptions. These general logics inform more concrete sets of rules that help explain the organization of particular labor markets, the mobility of labor and managers, and the ways in which employers and workers organize. My approach is that proposed in chapters 2 and 3. The goal is to identify ideal-typical arrangements that reflect the dominance of various groups and to consider the hybrid possibilities that might occur in real societies. I want to view the types of employment systems as conceptions of control when they are implicated in the way that work is organized in firms in particular markets. If the system of employment relations is thought of as a large-scale institutional project, one can ask a different set of questions than are typically

considered in stratification research. How does such a system come into existence in the first place? What is its internal logic? Is it possible to tell if it is in some form of fundamental crisis that might bring about a reorganization of employment relations? How do states intervene in employment relations at different times of their transformation? What is the impact of the increased internationalization of the economy on employment systems?

The central argument is that, at the origins of industrialization, actors reach a political understanding on the structure of employment relations. This understanding structures concrete labor market practices and helps form educational institutions that are organized around these principles. This understanding also becomes a set of cultural practices that function as a template or worldview that helps actors make sense of labor markets and careers. These common understandings structure subsequent interaction across industries as new industries emerge.

I identify three employment systems that have emerged historically in advanced capitalist industrial countries: vocationalism, professionalism, and managerialism. Vocationalism is a conception of work and career that emphasizes occupational communities, industrial unions, and vocational training (either formal or on the job) for new personnel. The typical career is marked by a commitment to one industry. Professionalism is a conception of work that references a professional peer group, uses associations to maintain collegiality, and relies on universities for the training of personnel. Careers are centered on professions, not firms or industries, and once in a system of professions, an individual tends to stay for life. Managerialism reflects a commitment to a particular work organization, is characterized by company unions, and relies on general schooling as a filter for admittance to the organization and firm-specific job training over the life cycle. The typical career is with one corporation. These three models of organizing careers and work come to structure labor market interactions and the organization of schooling.

In the sections that follow, I will first consider the problem of creating institutions such as employment systems by emphasizing the role of states, firms, and other organized groups. I will then specify the unique types of dynamics from which real employment systems emerge, allowing us to answer the questions posed above about the emergence, logic, and transformation of employment systems. Finally, I will sketch how this view helps us make sense of the dominant systems of employment relations that have emerged in Western Europe, the United States, and Japan.

There are a number of interesting implications of the view proposed here. One can use this approach to identify and examine crucial historical moments in employment systems. One can see that, once in existence, the organization of labor markets is difficult to change. Workers, employers, governments, and those who run the education system have a stake in the

current structure. This limits the possibility for transformation of employment systems across sectors. So, for instance, discussions in the United States about reforming the educational system to promote vocationalism (e.g. Reich 1991) go on without regard to existing employment relations in large firms, which promote managerialism or professionalism. Such reforms are likely to have little effect because a shift to a vocational educational system ignores the operation of labor markets that are structured by managerialism and professionalism.

Once employment systems are in place, conflict in employment relations is dynamic, but limited by larger arrangements. The unique systems of employment relations that have evolved across modern capitalist societies are deeply rooted in the unique development of each society and the mutual interaction of sectors. This history creates a kind of path dependence such that institutions are not easily borrowed or transplanted except under the most dire circumstances. Systems of employment relations can be most easily displaced as new parts of the economy emerge and as organized actors, either workers or firms, change the terms of exchange. Of course, even in these cases, the old system of power and organization provides templates for new organization. One also expects some workers to find themselves subject to "managerialist" systems, while others are subject to professional systems, depending on the firms they work for.

Employment Systems as Institutional Projects

In this section, I would like to abstractly discuss the relevant groups that make up the organizational field of employment systems in industrial societies. Then I discuss how these groups might align themselves in an ideal-typical set of situations to produce the dominance of one of three conceptions of employment systems: managerialism, vocationalism, and professionalism. I view these outcomes as the result of the different strengths among the competing groups. In capitalist economies, the means of production are primarily held in private hands. As part of these property rights, the owners and managers of capital claim the right to control employment relations. Most of the focus of the attention of employers and their representative groups is on getting states to guarantee their rights to control employment systems. Most Marxist theories assume that the state comes down on the side of the owners of capital (Miliband 1969).

If the most powerful forces in society are owners and managers of capital, then they will be able to organize the field of employment relations and get their institutional project. But to do so generally in society, they need the state and either the professions or workers' representatives as active partners in the process. The power of workers and professionals has two

sources: skill and status differences, and the ability to control the supply of labor and skills. They build associations and unions in order to gain power. Potentially, a large number of groups can form around these various tactics. But, practically, groups use two major conceptions of control to control employment relations: those associated with "blue collar" ("vocational-ism") and those associated with "white collar" work ("professionalism").

Larson (1977) has argued that there are no major differences in the strategies of these groups. Both focus on controlling occupational skills or labor supply as their primary source of power. Abbott (1988) argues in his "regional" theory of the division of labor, however, that strategies differ. "White collar" workers focus on professionalization as their major tactic of control. Professional projects try to use the abstract expertise of a group as grounds for self-governance. The new literature on professions also notes that they employ universities in their struggle for governance, focus their control projects on the state, and constantly try to invade other groups' professional territory. Professions, then, may use different organizational tactics and seek allies among educators, states, and other professions in order to promote their interests. The professionalism strategy can be analytically separated from the vocational strategy as different outcomes of strong worker power. Strong organization of blue-collar labor results in vocational systems. Professionalization depends on expertise, and, not surprisingly, projects to professionalize markets are frequently undertaken with the help of the state and the educational system.

A question increasingly discussed in the professionalization literature is the possibility of another type of alliance: between professions and managers. In a number of societies, the management function itself has become increasingly professionalized. The management function may either be conceived of as a generalist position attached to organizations in general or be defined as a specialized activity attached to a function performed in the organization. One example of a professional and generalist view of management is encapsulated in the masters in business administration (M.B.A.) degree. The degree signifies that its recipient has general skills in all aspects of business, marketing, production, finance and accounting, and business strategy. The popularity of the degree in the United States demonstrates that a professional, but generalist, conception of management dominates thinking in some business circles. Another conception of management that is professional, but not generalist, concerns functional specialization in the firm. Here, managers have specific skills, such as finance or marketing skills. They spend their careers in specific functional departments in firms and approach the problems of the firm from the perspective of their specialization. These functional specializations are worldviews that cause managers to interpret the situation of their firm from their point of view. It is likely that a high degree of professionalization or

TABLE 5.1

The Logic of Employment Systems

Attribute	Vocationalism	Professionalism	Managerialism			
				Affiliative unit	Training	Intragenerational mobility (career)
	Industrial trade union	"On the job"	Postgraduate education			
	Firm (or company union)	Professional association	University			
				Intrafirm	Intraoccupational	Intrafirm

functional orientation of the management function will lead managers to a preference for professionals as allies in the struggle with workers (Abbott 1988, 1989, Burage 1990, Byrkjeflot 1993). This is because managers will view professionals as people with expertise that will support and implement a particular strategic vision for the firm.

The constitution of rules regarding employment relations turns on the general political and economic environment, and the particular historical period in which employment systems come into existence. It is possible to abstract away from historical particularism to identify several ideal-typical outcomes of this struggle for the creation of employment systems.

Earlier, I asserted that three ideal-typical institutional sets of arrangements dominated the existing types of employment systems: manageri- alism, vocationalism, and professionalism. Table 5.1 summarizes our characterization of these employment systems. I think these types reflect very much the relative power of the capitalists, workers, professionals, the state, and educators. If firms have the upper hand, they tend to institutionalize *managerialism* as the model of employment relations. Here, managers control who enters the firms, and they use internal labor markets as devices to create primary and secondary labor markets. Firms and societies dominated by managerialism tend to have company unions, use status credentials as the primary filter for admittance into the organization, and engage in firm-specific training over the life cycle to create careers for valued employees. The typical career is with one corporation. This model is similar to what Burawoy (1985) calls hegemonic despotism, to Edwards's (1979) bureau- cratic control, or to Williamson's (1975, 1985) view of the employment relation.

Opposition to firms' control over labor markets can come from two main sources. Strong workers' organizations produce vocationalism. These groups focus on producing occupational career tracks. I call this conception

they are formed, they can have pivotal effects in two sorts of ways. First, at critical moments where the possibility exists for employment systems to emerge, actors in the educational system allied with managers, professionals, workers, or the state can weigh in to institutionalize some system of employment relations. This is particularly important for groups trying to establish themselves as professionals. Universities serve as bases of power to legitimate the claims of these groups to control certification.

Second, once in place, educational elites can affect the supply of different types of groups. In this way, there can be feedback into employment systems that can tend to reproduce or undermine them. The massive production of lawyers in the United States in the 1970s and 1980s has altered many features of the employment relation, including the propensity of workers to use the court system to exert control. Another example is the attempt of medical schools to control the labor supply of physicians in the United States, thereby increasing the relative incomes and autonomy of physicians (Starr 1982).

To the degree that educators form a distinct group within societies, they are divided along lines reflecting the relative size and power of their potential client populations. Primary and secondary schools compete with community colleges and universities for funding and influence. The conception of control embedded in vocationalism tends to be supported by secondary schools and community colleges, while professionalism tends to garner support from the universities. This is because secondary schools and community colleges will see their mission as preparing students for specific jobs. Universities stress that students are prepared to think analytically about problems. Their students possess many kinds of abstract knowledge by majoring in particular fields. Universities are gateways to more advanced professional training. They are staffed by academics who view themselves as possessors of expert knowledge. The huge post-Second World War expansion of higher education in the U.S. fuelled an expansion in the knowledge base of the population. About 25% of the population now has college degrees. Not surprisingly, the number of professional and managerial workers has increased over this time as well. This has reinforced the power of universities.

Variations and Transformations in Employment Systems

These ideal-typical accounts can be usefully modified in three ways, in order to make them more useful for analysis. First, it is important to consider how mixes of these pure types can produce stable institutional outcomes. Second, it is also important to consider how one may use the analysis of institutional change that was described in the last section to specify

of control *vocationalism* because it relies on vocational training, either on the job or in certified programs where the training is done both at work and in classrooms. The distinction between management and workers is not as strong in such systems, since the management function is less professionalized and since lower management often is recruited from the rank of workers. Those hiring new workers and lower supervisors are influenced by a worker perspective, because they have the same vocational training as those they recruit. The typical career is marked by a commitment to one occupation or a field of occupations within an industry (Streeck 1996, 142-44).

White-collar workers are inclined toward *professionalism*, in which privilege is exerted because of expert knowledge (Stinchcombe 1959). Professionalism is a conception of work that references a professional expert peer group, uses associations to maintain collegiality, and relies on universities for training of personnel. There are at least two variants of professionalism, however, depending on the extent to which professions rely on the state or on private associations. In state professionalism, the state takes a direct role in the construction of a professional system. It creates a system of schools and accreditation. It often sets up a system of exams for entry into these schools and thereby creates a hierarchy of professionals. Finally, it is often the leading employer of professionals. State professionalism creates experts that can help governments take political problems and submit them to professional expertise, thereby working to depoliticize them. Professional systems that rely on private associations for credentialing tend to have more autonomy from state and corporate actors. Here, boards of experts credential new professionals either through exam systems or by governing training programs. Such systems rely on governments, of course, to legitimate their right for a monopoly over the credentialing process. But they maintain their autonomy by declaring that they are the only ones with sufficient knowledge to certify other professionals. Careers in both these variants are centered on expertise or fields of knowledge and are therefore not specific to a firm or industry.

The challenge, when speaking about employment systems, is to bring the education system into the analysis. Abbott argues that "the 12 years spent in school by most citizens . . . clearly provide the implicit model for later industrial relations . . . education is the main girder supporting modern staffing structures" (Abbott 1989, 287-88). The extent to which a society develops vocationalist, managerial, or professional systems is both a cause and an effect of the structure of the whole system from kindergarten to graduate studies.

Marxist scholars (Bowles and Gintis 1976) have tended to see the educational system as a source of reproduction and legitimization of capitalist inequalities. While schools function to reproduce employment systems once

changes in employment relations in existing industries depend on the failure of existing conceptions of employment relations in supporting economic growth (economic crisis) or the failure of the education system to produce motivated and adequately skilled workers (motivation crisis). The balance of power within employment relations would have to be perceived to be creating negative conditions for dominant groups in order to convince these groups to shift their tactics. This could occur in several ways. First, in a general economic downturn (e.g., the Great Depression of the 1930s), one expects systems of employment relations to come under pressure from all of the groups involved. If the largest firms begin to go bankrupt or if the skills supply situation changes dramatically, then existing systems are threatened. Second, crises generated by states (wars and political upheaval) can easily undermine employment systems (Baron, Dobbin, and Jennings 1986). These can be direct, whereby states intervene to alter the functioning of labor markets, or indirect, through the passage of what appears to be unrelated legislation. Finally, invasion of the major industries of a given society by other firms utilizing different employment relations can force reorganization of remaining firms' employment relations.

Insights into Comparative Employment Systems

This is not the place to undertake a substantial comparison of the voluminous historical and sociological histories of the employment relations in the industrialized societies. It is useful, however, to try to bring this theoretical apparatus to bear on what is known about the employment systems and institutional history of the United States, Germany, Japan, and France.

Since the approach here is "ideal typical," one wants to view the tendencies of these societies as they are currently configured. Some of what follows is speculative, precisely because the research on many of the points made here has not been done. From my perspective, Germany most clearly conforms to the vocational model, France seems to best fit the state professional model, Japan the managerialist model, whereas the United States reflects a compromise between the managerial and professional models. It is probably the case that in each society there are examples of industries organized according to each of the models. But since states are arguably the units that legitimate employment systems, it is plausible to begin with the hypothesis that a single system can emerge. An ambitious research agenda would ask whether or not societies could be characterized in this way, and if so, how the system was modified across sectors over time.

processes, then the most likely outcome is for managers and owners to organize systems of employment relations. They will choose to create firm internal labor markets that give some workers careers in the organizations and isolate others in secondary labor markets. If labor is well organized, skills are not plentiful in society, and governments intervene on the side of workers, one would expect vocationalism. Workers will control labor markets and will work to provide training and opportunities for workers in a particular industry. If workers and managers were in a stalemate and government intervention is possible, then one expects state professionalism to predominate. In this situation, the government can produce experts who help guide workers and managers toward "rational" solutions to employment relation problems. Associational professionalism results under several conditions. If managers have the upper hand and the state follows management's lead, one strategy for some workers is to try to form professions. This legitimizes their claim on their abstract knowledge and brings in the state to buttress a private group's claim on credentialed people with this knowledge. Associational professionalism forces managers to recognize this claim and pay more for their expertise. Another way for associational professionalism to come about is if neither workers nor managers are well organized. Here, associational groups use their claim on abstract knowledge to forward their group interest.

If employment systems are conceptions of control certified by the state and institutionalized at crucial junctures in history, it is relevant to find out what industries were dominant at those junctures. One expects that the most rapidly growing industries were the site for new experiments in institutions surrounding the employment relation (Stinchcombe 1965). Once these took hold and were ratified or legalized by the state, they spread to organizational fields where similar conditions held sway. Once a system of employment relations was institutionalized more generally, it would greatly shape the possibilities for new systems of employment to come into existence. It would do so in a number of ways. First, the emergence or rapid growth of an industrial or technical educational system would be influenced by the set of employment relations in the most important industries at the time. The system would be producing individuals who would take up positions also in the new industries and in the policy domain of employment relations. Second, as new industrial fields opened up, the first place that managers and workers would look for models of employment relations would be nearby industries. New systems of employment relations are likely to have two sources. As already mentioned, new industries emerge with different balances of power between important groups. More interesting is the case where employment relations are transformed in existing industries. From my perspective,

The story of the deal struck in the 1870s between Bismarck and the state, on the one hand, and heavy industry, on the other, is well known. Germany was a late industrializer that developed cartels and a high degree of integration in the economy by the involvement of states and banks. Germany was particularly strong in producer goods and export industries, and the explicit aim was to "catch up" with Britain and other more advanced industrialized countries, and develop strong military power. However, the employment system that developed was most influenced by the strength of German workers' associations. I argue that this relative strength led to key concessions granted by the state and firms in their search for rapid industrial development and led to the eventual accession of a vocationalist system. What is particularly interesting is the way the state developed an advanced system of welfare provision early on, and how the education system was structured to create differentiated skills (Müller, Ringer, and Simon 1987; Ziegler 1997). The welfare system facilitated the emergence of unions by granting them independence from their employers. The functionally differentiated technical education system made it difficult for potential professional groups and managers to appropriate workers' skills (Caplan 1990; Streck 1984). This combination gave unions the impetus to organize across firms and within industries. The state intervened in labor relations, but was in the long run unable to stop the union buildup and the growth of the Social Democratic Party. The state was more successful in establishing a distinction between white- and blue-collar workers. The social insurance law granted white-collar workers and civil servants privileges, and this made an alliance between these groups and workers more unlikely. There were, however, no legal restrictions that restrained discontented white-collar workers from unionizing, and strong labor unions were established among engineers as well as other white-collar groups in the twentieth century. Craft workers, however, appear to have been successful in matching skills supply with demand. The German economy was very skill-intensive because of its emphasis on producer goods, and this tended to favor the organization of workers.

In the post-World War II era, the revival of the German economy turned on preserving the "social compact" between German workers and employers. The very idea that workers should have control over firms represented the long history of cooperation between employers and workers, and the relative political and economic strength of workers. Many authors have characterized the German work system as less hierarchical with less

differentiation between workers and managers (Streck 1984; Maurice, Sellon, and Silvestre 1984; Jürgens et al. 1993; Thelen 1991). Skilled workers often rose to become managers because of their knowledge of production processes.

During the 1990s, some scholars argued that the system was breaking down under the pressures of global competition (Streck 1996). But the evidence for this remains difficult to assemble (for evidence on a counterinterpretation, see Jürgens, Malsch, and Dohse 1993). Even Streck (1996, 156-70) suggests that there is more accommodation than transformation of the core system. It is clear that as Germany becomes less dependent on manufacturing, more professional or managerial systems may emerge in new industries.

United States: Managerialism-Professionalism

The U.S. case shows very clearly a mix of employment systems. It also shows a diversified education system and a system of social insurance provision less directed by the state than in most other industrialized countries. Working-class organization in the United States has been weak, and the link between workers and professionals, which could theoretically lead to vocationalist employment relations, did not emerge. It is for this reason that we say that managerialist employment relations predominated early in the century, and that they increasingly were joined by professionalist ones. Professionalist employment relations appeared in newer sectors of the economy and therefore did not supplant the managerialist system. In the core of the American economy, there appears to have been some compromise between managerialist and vocationalist models, beginning in the 1930s.

In the late nineteenth century, it appeared as if the United States was developing a strong labor movement. But, in a series of labor struggles, established unions such as the Knights of Labor were systematically defeated and destroyed by the employers' associations. The federal and state governments in the United States either did nothing or were openly hostile toward union organizing efforts (Voss 1993). By 1920, managerialist tendencies in American employment relations came into strong play (Jacoby 1997). It is no surprise that "Taylorism" and "Fordism" dominated the structuring of the employment system.

The U.S. labor movement continued to resist this development, however, and the Wagner Act (1937) made it easier for unions to organize. After bloody struggles in a number of core industries, unions and firms agreed to a mix of managerialism and vocationalism in those industries.

and the education system. The state, thus, promoted the agenda of state professional employment relations.

The key feature that led to state domination of the employment system was the inability of employer or worker organizations to dominate industrial relations. In different historical periods, the battle between workers and employers often turned violent and potentially revolutionary. The organizational apparatuses that could be brought to bear on this conflict were found in the state and among the professions attached to it. Credentials became the coin of the realm, and the development of elite educational institutions worked to create an elite that viewed its role as the direction of society through the government, not through the private economy. The present employment system, then, is the result of state intervention in the economy and the gradual penetration of the economy by "cadres" and professionals with state credentials. Bourdieu (1996) analyzes the close linkages between elite schools (*grandes écoles*) and the training of managers and professionals for both the state and industry.

Boltanski's study (1987) of the making of this group, the emergence of which he traces to the economic crisis in the 1930s, might be interpreted as a study of the institutionalization of a state professionalist conception of control in the French economy. Exactly how this conception of control is institutionalized as an employment system, however, is more difficult to detect from this study. In order to do this we need more information about how the state has certified the relationship between white-collar and blue-collar groups in French society, and what kind of institutionalized division of labor has emerged among the major groups (Boltanski 1987; Lash and Urry 1987; Ziegler 1997).

Japan: Managerialism

Burawoy characterizes Japan as a society "in which the state offers little or no social insurance and abstains from the regulation of factory apparatuses" (1985, 144). From my perspective, the purest example of managerialism exists in that society. Japan is also, along with Germany, the classic case of a late-developing nation displaying the "advantages of backwardness" (Veblen 1939). The timing of industrialization was later in Japan than in any of the other cases. The emphasis was put on production of producer goods and export as in Germany, but the task structure, the degree of internationalization, and the organizational models in these industries were different. Generally, Japanese labor was not well organized, but Japanese firms were. The Japanese state led industrialization before World War II, but the economy remained in the private hands of a small number of families, who were given wide latitude in their handling of labor relations.

The employment system that developed in the automobile, steel, and other core industries reflected the relatively greater organized power of workers in those industries. Managerialism continued to dominate firms, but elements of vocationalism began to creep into American labor market practices. Formal rules, careers and job ladders, and benefits began to enter into these negotiations.

Jacoby (1997) has argued that managerialist conceptions of firms resulted in workers being provided with corporate welfare (i.e., pensions, health care, other benefits) as a result of the conflicts between labor and management. He views these developments in mostly negative terms and does not reflect upon how workers gained by their relative power to push employers to worry about their concerns. The real expansion of professionals came in the United States after World War II. I speculate that this expansion was fueled by the great increase in the size of the college-educated population after the war. The G.I. Bill enrolled millions of returning veterans in universities, and their advanced training produced a "market" for professionals in the postwar era. A large number of professionalization projects have been undertaken in the postwar era. One important research field is to document the number of groups that have attempted to professionalize and to gauge how successful they have been.

By and large, the owners and managers of firms have not resisted the professionalization of various classes of their employees. The expertise of these groups, be they consultants, specialists, engineers, or academic groups, has been sought out and employed in both large and medium-sized businesses. The role of the state in this process has been relatively reactive. The certification of professionals has been left to professional associations. The educational elites located in universities have promoted this process precisely because it has strengthened their claim over scarce societal resources.

France: State Professionalism

In comparison with Germany and the United States, France displays a third variant of industrial development. France developed a diversified consumer industry early on and did not develop the high level of bank involvement, concentration, and emphasis on producer goods characterizing late developers. Lash and Urry (1987) have argued that this was because France was really quite industrially advanced. Like Britain, France got to experience the "penalty of taking the lead" (Veblen 1939). The state was, however, much more interventionist than in the case of Britain. The French government had a long history of intervention in employment relations

After World War II, labor laws and antitrust laws similar to those in the United States were established in Japan in a "top down" approach. There was an intensified period of class struggle before the Korean War, but this ended in the early 1950s. The result of these struggles produced the institutions of enterprise unions, a much less interventionist state in labor affairs than even in the case of the United States, and the establishment of a new type of business group (the *keiretsu*). The major victory for workers was the permanent employment system. This is the major compromise in the Japanese system that makes it less than a pure case of managerialism.

This last aspect is particularly relevant here. It is important to note that the high degree of job security granted to Japanese workers who were part of this system was limited to the core firms in Japanese industry. In recessions, core firms would force their peripheral suppliers and customers to accept extra workers. This shift would continue down the chain until the smallest firms would be forced to lay off their workers (Kalleberg and Lincoln 1988). This combined a "hegemonic" system in the core with a "dualistic" system with insecure jobs in the peripheral industries. As Whitehill argues, however, "life-time employment, whether actually experienced or not, remains an ideal norm to which all companies, large and small, aspire" (Whitehill 1991, 131; Aoki 1988).

Rohlen has argued that the Japanese school system represents a particularly strong legitimization of the prevailing organizational structures, and that the uniformity at the lower levels combined with an intensely status-stratified system at higher levels creates dedicated and docile workers (Rohlen 1983). Competition is intense among students at the lower level because they need to be accepted at a high-status university in order to be granted entry into the permanent employment system. Because of this strong expectation of lifetime employment within a single company among the highest educated, Japanese firms continue to develop extensive in-house educational programs. Once the university graduates are part of this system, however, they have to accept the notion of a broad career. Job rotation, usually every three to five years, is an expected part of every manager's career advancement.

Japanese managers are neither pure generalists, as are American managers, nor more narrowly specialized in one occupation, as are the Germans; rather they are "multispecialists." The major distinction in the core firms in Japan is between top executives and employees. The line separating blue-collar workers from white-collar workers is much more blurred in Japan than in any of the other cases (Koike and Inoki 1990; Kuwahara 1989; Whitehill 1991; Dore 1973). Japanese skills are generated in the firm, for the firm, and by the firm (Dore and Sako 1989). Firm-specific skills increase loyalty to the firm and a sense of community.

Research Agendas

The approach outlined here has two important implications. It suggests that systems of employment relations have a unique social origin that can only be studied historically. But I have also provided an ideal-typical analysis that specifies what sort of power arrangements are consistent with different outcomes. The cases illustrate that historical processes in each society that reflected the path into industrialization had profound effects on the system of employment that emerged. Where firms were strong, more managerialist systems emerged (Japan); where workers were strong, more vocationalist systems emerged (Germany). Where the two sides were forced to compromise, mixtures of systems came into being (France, United States). Once general arrangements emerged in the societies, educational systems came to buttress them.

It is useful to consider some of the implications of the perspective developed here for existing and future research. The thrust of the theoretical perspective put forward here is that the time is ripe for the opening of the field of stratification and organizations to more historical, more comparative, and more political and institutional approaches. The political-cultural approach encourages scholars to take up the issues of the formation, crisis, and transformation of employment systems. A set of conceptual distinctions has been offered for the important features of employment systems. I have also provided rudimentary hypotheses about how pure cases might turn out. Taken together, these arguments can inform more sustained analyses of employment systems and untangle the compromises systems reflect and the changes current assaults on them are likely to yield.

One of the most pressing research projects this suggests is to think about whether the general view we have of the types of employment systems in advanced industrial countries is historically accurate. Are there single systems of employment relations in modern industrial societies? Do our ideal types capture the most important distinctions among systems of employment relations? If societies contain multiple systems, is that explained by sectoral differences (i.e., core/periphery effects), path dependence (i.e., the moment of emergence), or compromises within sectors, or perhaps combinations of all three? It may be possible to synthesize what is known from disparate literatures (labor history, the history and study of professions, managerial history) to fill in the some of the gaps, but certainly much research remains to be done.

It is useful to study systems of employment relations beyond their originating moments in the entry into industrialization. Severe external crises have beset advanced industrial societies (two world wars, the depression

of the 1930s), and huge institutional reorganizations have resulted. It is important to study these events and their aftermath more closely to see how the terms of employment were altered as a consequence. So, for instance, World War II did not appear to change the employment system in Germany, but it may have in Japan.

The framework developed can be applied to examine how the current organization of employment relations accounts for patterns of stratification we currently observe. It is useful to develop an example. The research on sex segregation of occupations has produced two somewhat anomalous results. First, we know that the vast majority of women continue to be segregated into a small number of occupations (Reskin and Roos 1990). But we also know that at the higher end of the occupational structure, women have entered certain professions, such as lawyers, doctors, managers, and professors, but not others, such as engineers (Reskin and Roos 1990; Wright and Jacobs 1994; Jacobs 1989, 1992). How would the political-cultural approach explain such patterns of change? The main mechanism of change must be focused on the relative power of women to force educational organizations, professional associations, and firms to change their training and hiring practices. One would expect men and managers who have benefited from the traditional division of labor to continue to support their privilege and resist women's entry into male-dominated occupations. This would lead one to hypothesize that changes in sex segregation would be uneven because in different institutional spheres women and men would be able to draw on different resources. So, for example, given that men control training programs for craft occupations such as plumbers and construction workers, one should not be surprised that women have had a difficult time breaking into these occupations. These programs are organized on a local basis and are difficult to monitor. Moreover, men make life difficult for individual women who try to enter such programs. It is difficult to get credentials for women under these conditions, and if they obtain them, they will likely face harassment on the job.

On the other hand, since the 1970s, women have attended and graduated from universities at relatively high rates. This means that they have been increasingly likely to have credentials to enter managerial jobs and gain admission into professional schools. Not surprisingly, it is in these kinds of occupations that sex segregation has been weakened. This has been helped along by the women's movement (mainly organized by educated women), the use of equal opportunity law against universities and large corporations, and the relative success of women professionals and managers. These factors have worked over time to undermine the power of men to keep women from some more valued occupations (Dobbin et al. 1993; Sutton et al. 1994).

The political-cultural approach implies that it is the changing resources such as education, political and legal activism, and taking positions of power and authority that have given women more opportunities in some of the occupations in American societies. The converse is true as well. Women were less likely to make advances in fields where authority for credentialing was decentralized (allowing men and employers to keep women out), where the use of law was made difficult because firms were small and less likely to embrace equal opportunity laws, and where obtaining credentials was difficult or impossible. This is a testable hypothesis. It is also possible to study the evolution of employment systems within or across industries as they emerge. One would argue that employment practices in a given newly emerging industry would owe greatly to existing practices from "nearby" industries. A succession of practices would reflect the ongoing political struggle to define these practices and the relative resources of various groups of workers and managers. So, for example, at their origin in new industries, such as computers and biotechnology, one expects professional models of employment relations to dominate. The initial balance of power may be with engineers and other professionals. This balance may "lock in," but one can also see that, as technologies settle down, the balance may shift back to managers, who may try to impose more orderly labor markets. One interesting feature of high-technology industries is that technology does change, and that fact makes it difficult for managers to control the situation, implying that professionalism may dominate.

I have argued that existing employment systems, once in place, prove to be stable. Such systems serve the interests of important groups and are usually transformed only when they are in severe crisis. One source of crisis that may affect stable employment systems in advanced capitalist countries is the internationalization of the world's economy. The nature and trajectory of the Japanese and German employment systems is a matter of some academic and political attention. The critical question posed is whether or not these distinctive systems of employment relations can weather the increase in international competition in general and the change toward a more information-and service-oriented economy.

My argument is that these current institutional arrangements provide managers in these societies with ways to react to short-term economic crises. So, while the lifetime employment system in Japan is under duress, its survival depends on firms being able to shift workers across organizations. How long and how far this can go will determine if the conditions for institutional transformation exist. Similarly, the economic crisis in Germany has started to force employers to rethink their employment systems. One strategy has been to shorten workweeks temporarily. This is a measure that reflects an adjustment within the existing system of employment rela-

tions. But if these adjustments fail, then the wholesale transformation of the system is possible. The German education system appears to be in crisis as the vocational system declines. This is mainly due to the shift away from manufacturing. As industry is more focused on services and high-valued-added products, the demand for skilled machine workers has declined. This has put pressure on the universities to expand, particularly as business has greater demands for people with advanced technical training in engineering and information technology. This will fuel a shift away from a vocational system, perhaps, toward a professionalization model. In the United States, the employment system appears to be, for the time being, the most stable. The managerial-professional model allows firms to shed workers in downturns and contract to keep workers they favor and need. Finally, it is important to more closely link the development of educational institutions in a society to the system of employment relations. Once systems of education have expanded, they can have unintended effects on employment relations. I have argued that the "professionalization" projects of the postwar era in the United States have been fueled to a large degree by the expansion of higher education and its supporters in state and federal governments. It would be useful to explore this process more institutionally and seek out evidence to solidify this argument.

Conclusion

The theoretical arguments proposed have drawn their inspiration from three literatures: the political-cultural approach, the "old" institutional economics, and Marxism. The argument about the "new" institutionalism was made most explicit. It is useful to briefly link our project to these other traditions. There were two strands of the "old" institutional economics. The first focused on how noneconomic institutions shaped economic action (Veblen 1932; Commons 1934). This literature took for granted that political processes were at the core of the construction of institutions. A later version of this tradition informed analyses of labor markets (Kerr 1954; Dunlop 1957; Doeringer and Piore 1971). Here, the view was that groups would try to exercise control over atomistic labor market processes by constructing labor market segments, characterized by bargaining arrangements that invoked credentials, constrained labor supply, and tried to raise wages. The basic insight in the literature was that labor markets could be negotiated, and that this would affect a large number of outcomes. My institutional analysis begins with a bargaining view of the players involved in the formation of employment systems.

Marxism, of course, has a great deal to say about the employment system (Edwards 1979; Burawoy 1985; Braverman 1974). The basic insight is that

capitalists and workers face off over issues of control in the labor force and that capitalists generally have the upper hand. I concur with this argument as well. It one limits oneself to just the advanced industrial societies, managerialism and, to a lesser degree, professionalism dominate employment relations. In few societies is vocationalism the core model, Germany being the purest case. This results from the fact that capitalists tend to be much better organized, have more resources, and can frequently call on states to intervene in their favor.

But I think that Marxism and the "old" institutional economics share several problems which are somewhat resolved by the political-cultural approach. First, states should be treated as both exogenous to, and part of, the process by which employment relations are negotiated. States do not only intervene on the side of capitalists (as in Marxism) or merely provide protection for privileged groups of workers (as in institutional economics). They must be seen as partners to bargains. Second, workers sometimes are able to organize alternative institutions within the framework of capitalism. Therefore, the class struggle approach needs to allow for more possible outcomes, such as professionalism, vocationalism, and the various political compromises discussed.

Third, neither the old institutionalism nor Marxism theory has a theory of institutions. This means they cannot make sense of how institutions become stable. Once institutions are in place, they are difficult to dislodge for two reasons: they are templates for action, and they organize existing interests and reward certain groups who then have a great deal at stake in defending them. The process of institutionalization suggests why systems of employment relations can last for long periods of time. Both institutional economics and Marxism focus narrowly on the relation between workers and capitalists. Our perspective broadens that relation and embeds it in larger societal arrangements, including states, educational systems, and existing models of employment relations, and the previous history of those arrangements.

A final difference of opinion follows from the political-cultural framework as well. Changes in employment relations are not likely to be endogenous to the bargaining process, as Marxism or institutional economics suggests, but exogenous. To change an employment system requires a crisis in the existing system, one usually caused by exogenous shocks. If a given bargain is held in place by a given distribution of resources, new bargains require those distributions to change. This most frequently occurs during major events and their aftermath, such as war or depressions, or the force of international competition. But it can also result from secular changes such as shifts in the skills of groups in society and changes from a manufacturing to a service economy.

The political-cultural approach to studying employment systems gives scholars a great deal of leverage on making sense of what has happened, what is possible, and what strategies make the most sense given current institutional arrangements. The purpose of this theorizing is to suggest that projects couched in these more historical, political, and institutional terms are likely to prove fruitful in understanding how stratification and organizational processes intertwine.

6 The Dynamics of U.S. Firms and the Issue of Ownership and Control in the 1970s

THE QUESTION of who controls the large modern corporation in the United States is one of the most enduring in modern social science.¹ Sociologists who have studied the issue have gone in two directions: they have either been interested in detecting a capitalist class and discovering the nature of its cohesion (Zeitlin 1974; Useem 1984), or else they have tried to use organizational theory to account for the structure of the relations among large-scale business organizations (Burt 1983; Mintz and Schwartz 1985; White 1981; Fligstein 1990; Baker 1984, 1990). Economists have approached the question by being concerned about the possible negative effects of the separation of ownership from control in producing maximum profits (Williamson 1964, 1985; Martis 1964; Jensen and Meckling 1976; Fama and Jensen 1983a, 1983b; Holmstrom 1982; MacNeil 1985). What is at stake in this debate is our understanding of how large corporations operate and the nature of the worlds that are constructed around them.

Much of the evidence for the effects of owner versus management versus bank control and the composition of boards of directors on the financial performance of corporations in the United States is mixed or negative (Burt 1983; Herman 1981; for evidence that supports some effect, see Penning 1980; see Scherer 1980 for a review). These analyses have a number of problems. They use different measures of control and generally use only one measure of performance (profits) with a cross-sectional research design. Even more important, there are almost no attempts to model the effects of the various forms of control on important strategic decisions, such as product mix, mergers, and which subunit dominates firms (for an exception, see Palmer et al. 1987, 1995).

The major empirical contribution of this chapter is to expand these analyses in a number of ways. First, several measures of forms of control are tested simultaneously in order to assess if any has particular advantages. Second, in addition to a cross-sectional design, a panel design is utilized to assess whether or not forms of control affect outcomes over time. Third, a larger number of important organizational outcomes is modeled, thereby extending attempts to test versions of control theory to other variables. Finally, theories that emphasize the importance of bank versus owner versus managerial control are contrasted with the political-cultural view that focuses on interorganizational factors as predictors of outcomes.