

## **Disaggregating the liberal market economies: Institutions and HRM**

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### **Abstract**

It has been argued that the different ways human resource management is conducted in different countries can be at least partly explained by theories of comparative capitalisms. Earlier work has highlighted much diversity between coordinated market economies, but the liberal markets are commonly assumed to represent a more coherent category. We subject the latter assumption to closer scrutiny by examining differences between the liberal market economies in their approaches to HRM. We find that the USA display greater centralization in Human Resource Management practices, higher turnover rates, and less delegation to employees, than in the UK and Australia, this being associated with differences in institutional realities. Our study highlights how, under a broad institutional archetype, specific systemic features may exert strong effects on specific HRM practices and challenges assumptions of close institutional coupling in the most advanced economies.

**Key words:** comparative capitalisms; liberal market economies; financial systems; welfare regimes; human resource management

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## 1. Introduction

Human Resource Management (HRM) scholars have increasingly focused on context (Cooke, 2018; Gooderham et al., 2019; Parry et al., 2021) and particularly international context (Farndale et al., 2019, Tregaskis & Almond 2019) in order to explain HRM policies and practices. That HRM varies between countries is clear: The comparative capitalisms literature (Deeg & Jackson, 2007), based on national institutional archetypes, has been seen as one particularly promising avenue for comparing sets of countries.

Although not the first to make the point (see Lincoln & Kalleberg, 1990), Hall and Soskice (2001) offered seminal institutional archetypes, based on distinct social structures and approaches to resource allocation decisions, primarily drawing a distinction between Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs). Within the former category are the Nordic states, Japan, and the Rhineland nations, whilst the latter comprised the developed Anglo-Saxon countries. For these authors, as for the others discussed here, human resource management was both structured by and contributed to the institutional framework of the state. The comparative capitalisms literature argues that issues such as recruitment, retention, training, work allocation, industrial relations and termination are fundamentally influenced by the institutions of each society, including the laws, regulations, trade union arrangements and societal norms. With this view that differing national institutional frameworks contributing to distinctions in the ways that people are managed in the workplace being strongly supported within the academic literature, in relation to, as examples, staff turnover, (Croucher et al 2012), links between unionization and employee voice, (Brewster et al 2015a), democratic legitimacy and workplace democracy, (Hassan 2023), as well as the impact of employment regulation upon labor productivity, (Brookes et al 2018).

Building on, or serving as critiques of, the initial work by Hall and Soskice, influential studies deconstructed the CME categorization, with the latter being divided into various sub-categories. For example, an influential study by Amable (2003) deployed cluster analysis to identify sub-groupings of European CMEs (Houldsworth *et al.*, 2021): The social democratic economies of the Nordic countries (SDEs), and the continental European capitalist countries of mainland western Europe (CECs). How this translates into HRM includes relative access to types of training (e.g., the provision of skills for work, rather than a specific job, in the case of Denmark vs the German system of vocational training), relative unionization rates (typically higher in the Nordic states) and forms of delegation (e.g.,

relative use of the works council system). Other literature probed the distinguishing features and relative durability of the CME model (Schneider et al., 2010; Schneider & Paunescu, 2012; Streeck, 2016), and the persistence of CME-type HRM practices (Gooderham et al, 2011; Liu and Meyer, 2020; Mayrhofer et al., 2019), given this was presented in the original Hall and Soskice (2001) collection as a viable alternative to the eco-systemically dominant LME model. Admittedly, recent research such as that by Alsos and Trygstad (2023) and Cumbers et al (2023) has highlighted a growing trend towards individual-oriented management concepts and deregulated employment relations within CME economies, that may potentially be gradually narrowing the gap between CMEs and LMEs.

In comparison to CMEs, LMEs have a strong focus on competition, shared legal origins (common law) and specific political systems (first-past-the-post, in most instances) and are characterized by powerful private property rights, lesser rights for other stakeholders, and government being less interested in supporting worker rights (Pagano & Volpin, 2005; Walker *et al.*, 2014). A body of HRM literature concludes that this generally translates into harder-line HRM policies, characterized by lesser training volume, higher turnover of staff, and weaker employee voice (Gooderham et al, 2019; 2011; Brewster et al., 2015b; Goergen et al., 2021). Hence, it has been argued that the literature on comparative capitalisms provides a valuable tool in understanding broad differences in HRM practice according to context (Brewster et al., 2015b; Brookes et al., 2017; Gooderham et al., 2006). A thoughtful analysis by Hamann and Kelly (2008) drew similar conclusions for the specific field of industrial relations.

Before we adopt the comparative capitalisms analyses for HRM, however, we need to be confident that the categories involved are robust – in particular, our concern applies to the liberal market economies. Intriguingly, less interest has been accorded to the LME model which, it was implicitly or explicitly assumed, represented the default model of capitalism, than to the other models. This is possibly because many writing in this area had a primary interest in understanding the continued viability of alternatives to neo-liberalism, and the possibilities for sustaining more secure and empowered work. With the exception of a few accounts (*c.f.* Streeck, 2018), the LME category has remained relatively under-investigated as a single entity. However, some accounts have suggested that the LMEs are neither coherent, nor a durable endpoint, and studies have sought to probe this category more closely (Konzelmann & Fovargue-Davies, 2012).

The purpose of this paper is to explore whether human resource management strategies and employment relations display common features across the various LME countries. Since Amable (2003) started to deconstruct the CME economies, the global economy has entered its second ‘once in a century’ crisis in just over a decade. It seems reasonable to question whether the impact of the 2008 financial crisis and the readjustments associated with it, at both the national and firm level, have exacerbated any divergence between the LME states (c.f. Batt et al., 2010). Events would suggest that this is the case. For example, in the USA and the UK flirtations with populist extremism entered the mainstream political discourse a good decade before Trump and Johnson assumed high office, while New Zealand and Canada opted for more moderate paths in terms of both political and economic policy, with Australia representing a more mixed case.

Amable (2016) highlighted the importance of evolving institutional complementarities as a major source and driver of change at the firm level: Divergence between the LME states, exacerbated by these major global events, would be entirely consistent with that analysis. This study seeks to complement recent accounts that re-compare national economies according to broad economic and societal features. Witt and Jackson (2016), for example, found that the original CME and LME categories retained relevance, albeit with a limited degree of liberalization in the case of the former. In contrast, this paper will investigate differences between LME countries in firm practices, given both the implicit central role of the firm in the literature on comparative capitalisms (Hamann & Kelly, 2008), and the need for further understanding as to how the firm absorbs and adapts to societal effects (Aguilera & Groggaard, 2019; Strange et al., 2009). HRM is a significant focus for theories of comparative capitalism, given that employees are a key stakeholder category (Beer et al., 2015; El Akremi et al., 2018; Winkler, et al., 2019) and, indeed, because a firm’s people are the first to be affected by any shift away from traditional forms of value generation to value extraction (Froud & Williams, 2007): An issue to which we pay particular attention.

The remainder of the paper will be organized as follows: Our first, theory and hypotheses, section presents the relevant literature, and based on differences that emerge within the LME economies, develops Hypotheses to be explored empirically. The methodology section outlines how these hypotheses were tested, and Findings presents and interprets the results. We follow this up with additional methodological discussion of the measures, and indeed, whether this confirms our core findings around the nature of diversity within the LME category. Finally, the discussion and conclusions section draws the threads

together and examines the implications for future HRM research and policy, as well, on a theoretical level, our understanding of the impact of national institutional frameworks within LMEs.

## **2. Theory and Hypotheses**

Amable (2003) started a process of identifying different sub-categories within the CME countries, while supporting the identification of LMEs as a single, coherent categorization. There have been a number of studies of multinational corporations (MNCs) that challenge the coherence of the LME category (see, for example, Gooderham et al., 2006; Lamare et al., 2013; McDonnell et al., 2015), but there is rather less on firms in particular countries (Brewster et al., 2006). One study argued that US-owned firms tended to be more hardline in their HRM approaches (Gooderham et al., 2006), perhaps reflecting a possible logic of general liberalization (Streeck, 2018). These indications suggest that it may be time to revisit and review the coherence of the LME categorization (*c.f.* Witt & Jackson, 2016; Hall & Gingrich, 2009).

### ***2.1. Comparing HRM***

Whitley (1999) holds that delegation and interdependence represent the defining features of national employment systems, and these categories have since been widely deployed in the HRM (Gooderham et al., 2019), international business (Baliga & Jaeger, 1984), strategic management (Sengul et al., 2012), accounting (Malmi et al., 2020) and industrial relations literatures (Keune et al., 2013). This reflects their origins in the classic Hirschman (1970) account of exit and voice as the defining responses to changes in the quality of an exchange relationship. More specifically, interdependence further unpacks the relative costs and benefits surrounding exit (Crescanzi, 2003) - in this instance, how easy it is to terminate the employment relationship for opportunistic or operational reasons (or from the other perspective, degree of job security) and the relative costs to both parties in doing so (from the employer side, investment in training and development, and from the worker side, the building of organization-specific human capital) (Whitley, 1999). Delegation is about employee voice, as well as the extent to which middle rank HRM and line managers have the received authority to experiment with novel practices and solutions to problems they experience. It represents a recognition that the range of involvement, and even the nature and extent of internal information flows within the firm, represents some dilution of absolute

managerial power, with clearer boundaries on the ability of management to unilaterally adjust the terms and conditions of employment (Budd et al., 2013; Wei et al., 2015). Formal participative mechanisms will typically grant workers even more say, potentially making for greater cooperation but at the cost of surrendering further managerial power. Hence, the scale and scope of interdependence and delegation will define the limits of owner ability to maximize short term shareholder value: Higher levels of both may reflect formal regulation or informal choices by the owners to pursue longer term strategies, informed by enlightened self-interest or moral choices.

Existing research (Brewster *et al.*, 2015b; Brookes *et al.*, 2017; Gooderham *et al.*, 2006) has shown that an organization's approach to managing people and its general HRM ethos is revealed through each firm's commitment to delegation and assignment, where assignment is the willingness to delegate and decentralize responsibility for key HRM decisions down to line managers (Guest, 2021). This reflects the level of trust placed in line managers and the willingness of the organization to decentralize responsibility for key HRM decisions, such as recruitment and selection as well as workforce expansion/reduction. Arguably, this differs according to the type of capitalism the firm finds itself in (Whitley, 1999). We do recognize that there are many elements of HRM practice, too many to cover effectively within the confines of a single article. However, we focus on interdependence, delegation and assignment, given this is highlighted in the earlier literature as areas where differences are most likely to be encountered, (Brewster *et al.*, 2015b; Brookes *et al.*, 2017; Gooderham *et al.*, 2006, Guest 2021, Whitley, 1999).

## ***2.2. Internal Diversity between LMEs and HRM***

The theoretical literature generally sees LMEs as a coherent category (Hall & Soskice, 2001; Hall & Gingerich, 2009), whilst there is a body of influential work unpacking or adjusting the boundaries of the CME category (Amable, 2003; Whitley, 1999). More specifically, LMEs are associated with a dominance of abstract arms-length contracting, both between firms and between firms and their workers, whilst CMEs are associated with denser and longer-term ties, reinforced by long regulatory traditions, variations in skills infrastructures and social welfare regimes.

Lazonick and Shin (2020) outline how the US economy has transitioned, over the last two or three decades, from one predominantly focusing on value creation to one now placing greater emphasis on what they refer to as 'predatory value extraction'. In the case of the

USA, Lacey, Soskice, and Hope (2018) conclude that the particularly pronounced decentralized adversarialism of the political system means that elections are typically decided by swing voters who are more concerned with protecting their relative position than redistribution. In turn, this makes for a particularly unequal society, favoring property owners over other interest groupings. In other words, it is not simply an issue of a first-past-the-post election system (Pagano & Volpin, 2005), but the nature of the different levels of government, and indeed, a lack of restraint on gerrymandering (Keena et al., 2021).

Lazonick and Shin (2020) critique maximizing shareholder value as a poor response to agency issues between managers and owners, and detail how it has led to a greater focus on stock-based compensation for executives, leading to a much greater prevalence of stock buybacks to inflate share prices. The effect is that stock market growth is more commonly driven by manipulation, rather than innovation, and US corporations have evolved from the innovating and value creating enterprises of the 1950s, '60s and '70s to now being predominantly focused on value extraction. Associated with this have been changes in the role of banks in the USA, leading to the 2008 financial crisis - it is worth noting that, like the CMEs (Wanna, 2015), the LMEs with more sober banking models were much less adversely affected by the 2008 global financial crisis (Wanna, 2015) than the USA or the UK, which has been also depicted as 'financialized' capitalism (Erturk, 2020; Froud & Williams, 2007). Yet, the empirical evidence at the firm level for UK/USA similarity remains ambivalent.

But if the USA is more extreme than other LMEs in terms of the overall focus on value extraction, how does that affect firms' behavior and how does it affect the way people are managed in the workplace? Batt et al. (2010) suggest that this is likely to play out in the form of much harder line HRM. Employees are the key insider stakeholders with sunk capital in the firm. To proponents of shareholder value, it is argued that when they are accorded too much say in firm practice, they divert resources away from the owners of the enterprise (Botero et al., 2004). Hence, HRM practices can provide a way of calibrating owner power and the relative ability to establish an agenda of shareholder primacy based on short term returns.

Lamare et al. (2013) explore home and host country effects of MNCs operating in Canada, the UK and Ireland. They note that despite common ground, these LMEs differ substantially in terms of employment relations regimes, and particularly, in union recognition processes. For example, unionization rights are stronger in Canada, where, with a majority worker vote, a union will attain monopoly bargaining power in a workplace - although there



is some diversity in worker rights between provinces. In contrast, mandatory union recognition rights are absent in Ireland, and in the UK, unions have statutory union recognition, but overall unionization rates are relatively low. Their study reveals that, in Canada, regulations and norms appear to constrain the ability of MNCs to adopt harder line practices in line with prevailing norms in the USA. McDonnell et al. (2015) explore variations in approaches to employee representation between US, UK, and Australian MNCs operating in Australia. They conclude that Australian MNCs were the most likely to engage with trade unions and the US MNCs the least likely. They ascribe this to long-standing institutional traditions, and the specific evolution of the Australian industrial relations system. Konzelmann and Fovargue-Davies (2012) draw a distinction between the USA and the UK on the one hand, and Australia and Canada on the other. They ascribe differences in firm practices to how the financial systems evolved (more financialized in the case of the former) and the extent to which liberal market reforms were negotiated (a lively issue in the two latter countries at the time they wrote). Markey and McIvor (2018) highlight challenges to workers' rights in Australia by subsequent conservative governments. Other work has suggested that Ireland is the atypical LME on account of the competitive corporatism in place from 1987 to 2009, its legacies, and the relatively liberal welfare regime (O'Sullivan et al., 2020).

In short, whilst this literature is broadly agreed that the USA is the purest (or most extreme) example of an LME, with many accounts suggesting Canada as the most moderate, there is more debate around where to place Australia, Ireland and to some extent the UK. Is US distinctiveness the main feature of national diversity in the LME camp, or is it better to view the LMEs on a scale between purity and moderation? We explore this issue, evaluating relative distances between these countries.

If the USA is the outlier in terms of institutions, corporate governance and associated HRM, then establishments in the USA will have a lower commitment to delegation, assignment and interdependence. Hence, we hypothesize that:

***H1a: There is a significantly lower commitment to delegation in firms in the USA than in other LMEs.***

***H1b: The UK and Australia have more in common with each other than they do with the USA.***

***H2a: There is a significantly lower commitment to assignment in firms in the USA than in other LMEs.***

*H2b: The UK and Australia have more in common with each other than they do with the USA.*

*H3a: There is a significantly lower commitment to interdependence in firms in the USA than in other LMEs.*

*H3b: The UK and Australia have more in common with each other than they do with the USA.*

### **3. Methodology**

The empirical analysis exploring the hypotheses outlined above utilizes the Cranet international data set on HRM practices and employment relations. This is a repeating survey, dating back to 1991, that is undertaken every five or so years and now includes more than 40 countries. It is a postal questionnaire covering a wide range of HRM policies and activities and is completed by the senior person with responsibility for HRM within each organization. The survey focuses on organizations with 100 or more employees, since smaller organizations are less likely to have a professional and dedicated HRM function, and in each country, there is a representative sample stratified by the proportion of total national employment in each SIC 1-digit code industry.

For this analysis the latest available Cranet data is used, this being 2014-15, and the countries included are the USA, UK, and Australia, since these are the only unarguably LME countries for which data was collected in this wave. It would have been useful to include Canada and New Zealand in the analysis but, unfortunately data is not available for those countries. Germany and Sweden are also included as key exemplars of CMEs, so that we can establish not just that the USA differs from the other LMEs but can also benchmark the extent of that difference in comparison to the typically observed LME/CME divergence. Thus, although the focus of our analysis is on differences between the LMEs, and the CMEs are not part of the formal hypotheses, they are included to provide a benchmark and perspective to gauge the extent of those cross-LME differences. For example, if any cross-LME differences were statistically significant, but simply dwarfed by the extent of difference from the CMEs, it would probably be safe to conclude that those cross-LME differences are relatively unimportant.

Response rates for the survey vary with the round and the country but overall tend to be around 20% (Parry *et al.*, 2021), generally held to be good for full population surveys, and for the most recent round response rates were as follows; USA (5.5%), UK (13%), Australia

(14.2%), Germany (5%) and Sweden (14.4%). The total observations for each country were as follows; USA 509, UK 210, Australia 395, Germany 278, Sweden 291, (1683 overall), and once observations were deleted due to incomplete responses to the key survey questions this reduced to; US 370, UK 178, Australia 258, Germany 266, and Sweden 267 giving an overall total of 1339 observations.

To undertake the analysis, the methodologies from Brookes et al. (2017) and Brewster et al. (2015b) were replicated, with the creation of a scale reflecting the establishment's commitment to delegation, assignment and interdependence respectively. The complexity of these features implies that any single measure would not effectively capture their nature within the organization, so we created scales from the individual responses to the survey questions by applying Mokken's non-parametric model for one dimensional cumulative scaling (Sijtsma and Molenaar, 2002). The delegation scale is based on each establishment's responses to five questions, all having yes or no responses: Do you have a Joint Consultation Committee or Works' Council? Do employees communicate their view to management through a representative body such as a union or Works' Council? and then separately: Do you have collective bargaining about pay for management, professional staff, and clerical/manual staff respectively? The assignment scale is also made up of five yes or no responses to the questions: Do line managers have responsibility for decisions on industrial relations, pay and benefits, training and development, recruitment and selection, workforce expansion/reduction? The resultant scales reflect the organization's commitment to delegation, and to assignment with a firm answering 'yes' to all questions having a value of 100 and the firm answering 'no' to all five having a value of zero.

In relation to interdependence, previous research has utilized the development of a similar scale to those outlined above encompassing staff turnover, use of compulsory redundancies and commitment to training (see, e.g., Brookes et al., 2017). However, in the absence of more detail, highlighting the nature of specific training, including the commitment to training, either as a time or financial commitment, is problematic. Firms allocating comparatively large amounts of resource to training may in fact be doing so because retention is poor and they require a lot of basic induction training, and are in fact experiencing relatively weak, rather than strong, interdependence. Equally, firms with good retention and strong interdependence may in fact spend less on training, as a lot of further training and topping up of vocational skills can be informal and on-the-job when security of tenure is high. As a result, we have chosen to not replicate previous scales on interdependence, but to

measure a firm's commitment to it via separate models utilizing annual staff turnover and the use of compulsory redundancies in the last 3 years respectively as the dependent variables. The former is also estimated using an OLS regression, whilst the latter makes use of a binary logistic regression, since the dependent variable is binary rather than being a continuous variable.

The positioning of firms along the continuums is determined by the number of 'yes' responses as well as the relative scarcity of firms giving a 'yes' response to that question. It is important to use this type of approach since merely aggregating the components to create a scale implies that each of those components is an equally important indicator of the firm's commitment to delegation or assignment. Therefore, here features that are less common have a bigger impact upon the value of the scale than those which are more widespread across the sample, since if virtually all firms display a particular feature that reveals very little about each firm relative to the others, and the opposite is true if there are very few firms displaying that feature. In addition, by avoiding giving each item the same weighting within a scale, organizations can be assigned the same value through a variety of combinations of different responses, so that, for example, organizations with very different approaches to delegation are not treated as being the same within an unweighted scale. The outcome being those organizations with lower scores on the delegation scale are those with little employee involvement, engagement or voice in decision making processes. For the assignment scale, a low score reflects organizations with very centralized and uniform HRM. In both cases, the opposite is true for establishments with a high scale rating. For the empirical analysis the delegation and assignment and scales are utilized as the dependent variables in OLS regression models estimating every individual firm's expected commitment to each. The key explanatory variables, in relation to the hypotheses outlined above, are the differences across the countries and we use a set of dummy variables identifying establishments in each of the three countries.

We also include a range of control variables, reflecting factors likely to influence the ability and willingness of organizations to pursue interdependence, delegation, and assignment. The first of these is the size of the organization, since the greater complexity and greater difficulties in retaining control for larger firms are likely to impact upon strategic choices made within the firm. Size is measured by the total number of employees and its natural log is included in the regression models since a relatively small number of very large companies skews the distribution of total employees and it is not normally distributed. There

are then further dummy variables, firstly one to separate public and private sector organizations, since it is expected that behaviors supporting value extractive activities are likely to be more prevalent in private sector organizations. Then a further series is included to control for differences across types of industry, since the dominant mode of production in any industry may prove to be more or less conducive to delegation and/or assignment. These are separated into primary industries (i.e., agriculture and extractive industries), secondary industries (all manufacturing and construction), financial services and then all the other service industries. Financial services are separated from all the other service industries since it is likely that proximity and access to financial assets within that industry is likely to lead to higher levels of value extraction.

Two final sets of dummy variables are included to distinguish between listed and unlisted companies as well as those which are domestically and foreign owned. There is some evidence of a modest deleveraging among listed firms since the 2008 financial crisis, which might ease pressure on them and their stakeholders (Demirgüç-Kunt et al., 2020). Alternatively, it could be argued that growing numbers of unlisted firms are likely to be under the control of private equity, which would exhibit even more aggressive practices in order to provide comparable rates of return, and that would impact what listed firms might do (Morris & Phalippou, 2020). However, it is likely there will be time lags within this, as unlisted companies respond to changes within the larger listed organizations and vice versa, and as a result, a listed/unlisted dummy is included to control for any differences present within the cross-sectional data. Lastly, a dummy is added to separate foreign and domestically owned firms, since foreign owned companies may well be distinct in terms of their HRM approach as they seek to retain policies more in line with their home country approach. The foreign owned companies are further sub-divided into US owned and non-US owned, to control for the likelihood that with strong home effects US subsidiaries are likely to pursue strong value extraction policies along the same lines as their domestic operations (Gooderham *et al.*, 2006). The reference category is a domestically owned US, non-listed and private sector firm operating in a non-financial service sector industry. As the main focus of the analysis is upon cross-country differences, the choice of the country within the reference group is potentially significant, since it sets the benchmark upon which the other countries are compared. However, in this case, because we are exploring the extent of distinctiveness of the USA from the other LMEs, it would not be appropriate to utilize either of the other countries as the reference.

#### 4. Findings

Table 1 records the descriptive statistics for the dependent and the independent variables in the assignment and delegation regression models. At an observational level these already indicate some support for our hypotheses. As is to be expected, the CMEs of Germany and Sweden utilize both delegation and assignment to a much greater extent than the LME countries. In relation to interdependence though, the picture is less clear cut, with staff turnover following the same pattern, but compulsory redundancies displaying no obviously significant differences, with all the countries being within broadly the same range. Despite this, it is clear that there remains a distinction between the CMEs and the LMEs. However, it is differences across the LME countries that is the key area of focus for this paper, and it does appear that the USA is an outlier within the LMEs, having lower levels of both delegation and assignment, as well as higher annual staff turnover compared to the UK and Australia. The extent and significance of those differences are now explored via the various regression analyses.

<<Table 1: Descriptive Statistics about here>>

Table 2 records the results from estimating the OLS regression model of ‘delegation’. This indicates that larger firms have a significantly larger commitment to delegation, so larger firms make greater use of formal communication channels and collective bargaining. Although this might be predicted, given traditional high rates of unionization in manufacturing and many large service enterprises, it shows this pattern is holding up despite the influence of large non-union firms.

<<Table 2: Regression Model of Delegation about here>>

Similarly, and even more predictably, public sector organizations had a greater commitment to delegation when compared to private sector organizations. Further, there is some evidence of significant differences across industries with the secondary sector having more delegation than the service sector base group.

Neither foreign-owned MNCs generally, nor US-owned MNCs specifically, have a significantly different commitment to delegation than domestic establishments. Therefore, at

least in relation to delegation, there is no evidence of country-of-origin effects playing much of a role.

There is no difference between listed and unlisted companies in terms of the extent of delegation, suggesting that crossovers between the human resource management practices of listed and unlisted companies are fairly strong, and any changes that emanate from the pressures of shorter time horizons of the financial investors are occurring at a broadly similar rate across both listed and unlisted companies. However, it is not easy to detect from this data the extent to which this results from the increased prevalence and influence of private equity firms and venture capitalists (Tykvová, 2018).

Hypotheses 1a and 1b are clearly supported: there is a significantly greater commitment to delegation in Australia, and indeed, in the UK, when compared to the USA. At this point it is also useful to make comparisons with the CME countries since, although the UK and Australia have a greater commitment to delegation than that found in the USA, the distinction between the USA and the CME countries is of a higher magnitude.

**<<Table 3: Regression Model of Assignment about here>>**

Table 3 reports the results from the OLS regression model of assignment and confirms that larger organizations are significantly less willing to assign HRM responsibilities to line managers (Brookes & Brewster, 2021), perhaps reflecting the challenges of ensuring coherence in the face of greater complexity (Brewster *et al.*, 2006). There are no real differences across sectors, industries, or listed/unlisted companies in terms of this tendency to centralization, despite significant differences in the latter ownership-control nexus. This might suggest that either a dominant model has already widely diffused, and/or there are structural, and potentially cultural, differences in how management operates. Foreign-owned MNCs are distinct, being considerably less likely to delegate HRM to line managers, which is at odds with the US-owned MNCs who display no lesser willingness to assign to line managers. This is somewhat surprising since it was predicted that US-owned MNCs, with their greater tendency towards value extraction, would be more likely to retain greater control and centralize decision making within the HRM function and, as a consequence, assign less to line managers.

Hypotheses 2a and 2b are therefore also strongly supported, with the UK and then Australia being considerably more willing to assign responsibilities to line managers than

comparable firms in the USA. We can once again draw conclusions by making comparisons with the CME countries. Here too, although the UK and Australia differ significantly from the USA in terms of their willingness to assign responsibilities to line managers, the extent of that difference is not as great as for the two CME countries.

Finally, turning to Hypotheses 3a and 3b, the results from the regression models representing interdependence are reported in Table 4, with annual staff turnover in the left-hand columns and compulsory redundancies on the right. Turnover is higher amongst larger organizations, but lower in the public sector, whilst industrial sector has become more prominent than in the previous models, with all sectors having significantly lower turnover than the tertiary sector reference category. In respect of cross-country differences, the previous pattern is repeated, with all the countries having significantly lower turnover than the USA, but the difference in comparison to the CMEs being of a much greater magnitude.

**<<Table 4: Regression Models of Interdependence about here>>**

However, the same picture is not revealed by the compulsory redundancy model, with the independent variables explaining very little of the variation. Secondary sector and foreign-owned firms display a significantly greater willingness to utilize compulsory redundancies, with Germany being the only country with a significantly lower willingness than the US base group. This may well suggest that decisions to cut staff via redundancies are influenced to a greater extent by changes in demand that are often transnational, or even global, and outweigh differences across national institutional frameworks. However, what might most likely explain higher turnover in the US than other LMEs, without similarly higher usage of redundancies is much simpler. Roughly three quarters of employees in the USA are employed at will, and can be dismissed without a reason; hence, there would be no need to make use of redundancies at all. Overall, on balance, Hypotheses 3a and 3b can at least be partially accepted.

Therefore, for delegation (including assignment), as well as staff turnover, a clear ranking appears – the USA at the bottom, Germany and Sweden displaying the highest levels of commitment, and the UK and Australia lying somewhere in the middle.



Having accepted both hypotheses 1 and 2, and, partially, 3, it is important to establish the extent of robustness that can be assigned to these findings. The positive and significant coefficients on the UK and Australia dummy variables in the delegation and assignment regression models, and negative and significant for turnover, clearly indicate that establishments in the USA have less delegation and are less willing to assign responsibilities to line managers, as well as having poorer retention, but a more robust approach is to test for structural stability across the different sub-samples of the data, which in effect tests if the coefficients on a linear regression model are equal if that model is estimated using different sets of data.

The model is therefore re-estimated separately for each of the country groups and a structural test, based on the Chow test (Chow 1960), is applied to establish whether the findings hold. The structural test is an F-test of the form.

$$\frac{(RSS_{pooled} - RSS_{USA} - RSS_{UK \& Australia})/k}{(RSS_{USA} + RSS_{UK \& Australia})/(n_1 + n_2 - 2k)}$$

where  $RSS_{pooled}$ ,  $RSS_{USA}$  and  $RSS_{UK\&Australia}$  are the residual sum of squares from the estimated models for the pooled sample, the US sample and the combined UK and Australia sample respectively,  $k$  is the number of estimated parameters and  $N_1$  and  $N_2$  are the number of observations in the respective subsamples. The test statistic follows an F-distribution with  $(k; N_1 + N_2 - 2k)$  degrees of freedom (Greene, 2000). The test has the null hypothesis that the structure of the two subsample models is the same, i.e., for a given size, sector, etc., the level of delegation/assignment is the same in the USA as it is in the UK and Australia. Although more often applied to establish a structural break within longitudinal data, the basic purpose of the Chow test is to establish significant differences across 2 sub-samples within a larger sample, (Brewster et al, 2007, Brookes et al, 2017). Therefore, it also serves our purpose in this instance.

Calculating the Chow statistic for the three regression models yields results of 7.38 for delegation 2.25 for assignment, and 2.15 for turnover, with critical values of 2.6, 1.98 and 1.7 at the 1%, 5% and 10% levels respectively, we can reject the null hypothesis at the 1% level for delegation and the 5% level for assignment and turnover. Therefore, we can be highly confident for delegation and confident at the 5% level for assignment and turnover: Even accounting for differences in the independent variables, the levels of assignment, delegation

and turnover are significantly lower in the USA than in the UK or Australia. So, we have clearly established that measurable and significant differences are present in the approaches to HRM within firms in the USA, when compared to similar organizations in the UK and Australia.

## **5. Discussion and Conclusion**

This study supplements earlier work that explores diversity within the CME camp (Amable, 2003; Hancke *et al.*, 2009), but here highlighting distinctions between LME countries, and finding quite significant differences in firm level HRM practices between the USA and the other liberal markets. More specifically, in the USA firms are much less likely to delegate responsibility to workers or to decentralize key HRM decisions to line managers and have poorer retention. Previous work on LMEs has presented the USA and the UK as the more extreme forms of LME, in terms of a range of societal and regulatory features, than the other LMEs. Australia – and New Zealand and Canada (Konzelmann *et al.*, 2012) – do not share these features. Surprisingly, despite right-wing populist turns with increased political support for individualization in employment relations (Hogan & Haltinner, 2015), this study suggests that both the UK and Australia remained very different to the USA. Our study supplements other accounts focusing on broad societal features that noted, at the same time, a greater tendency towards limited deregulation in the CMEs than diversity in the LME camp (Witt & Jackson, 2016). These differences in findings may be ascribed to the extent to which this study provides a firm-centered account, focusing on differences in practices in HRM within organizations, rather than looking at broad societal inputs and organizational outcomes. In other words, this study focuses more directly on the effects of national institutions on the impact of HRM policies on core organizational stakeholders, the firm's workers, than it does on broad outcomes in, say, organizational competitiveness and how that feeds back into overall growth.

Our study may help explain an early finding by Gooderham *et al.* (2006), who noted a tendency for US firms to be more hardline or 'instrumental' in their HRM practices, a tendency on the part of these firms confirmed for industrial relations (Lamare *et al.*, 2013; McDonnell, *et al.*, 2015). Here, and taking account of a much bigger range of variables, we are able to explore what may be driving this and examine senior management's willingness to decentralize key HRM decisions that may impact on firm numerical flexibility down the system. We found that in the USA, senior managers are less likely to entrust line managers

with such decisions, most probably reflecting a desire to limit hiring and ensure regular and dispassionate shedding of ‘surplus’ labor, in line with an agenda of maximizing short-term returns (Lazonick & Shin, 2020; Erturk, 2020). A caveat is in order here; the data predates the present pandemic, which may have alleviated or accentuated these features. On the one hand, payroll protection schemes may have discouraged firms from shedding staff but, on the other hand, the pandemic left activist investors with more ‘dry powder’ investment capital with which to pursue their agendas (Haarmeyer, 2020).

Analyses of key features of the US system suggests that it has, if anything, diverged from the other LMEs (Batt, 2010; Cumming et al., 2020) and, in turn, our study concludes that this has translated through into more hardline HRM practices: Above all, the distinctions suggest a greater focus on centralization. This might mirror the extent to which senior managers are reined in, and have limited discretion of their own (Garg, 2020), and is consistent with Brette and Chassagnon (2021), who utilized national institutional frameworks and the concept of generalized Darwinism as a lens to help understand evolution at the firm and industry level. However, this is not to suggest that in all respects the USA is quite different to Australia and the UK. There are many commonalities, ranging from core features of corporate law to, as noted above, an increased drift to the populist right even prior to the Trump and Johnson governments, which has widely been ascribed to systemic inability to provide a basic degree of security to large components of the population (Cumming *et al.*, 2020; *c.f.* Rodrik, 2020). However, within the workplace, key distinctions remain and may even become more pronounced.

Why would the UK and Australia be different to the USA? In the case of Australia, matters are simpler: Australia is much less financialized and there are also more deeply embedded conventions around engagement with unions in many firms (Konzelmann et al., 2012). In addition, the Australian electoral system’s preferential voting system represents a dilution of the first-past-the-post system, allowing for representation of a greater cross-section of societal interests. In the case of the UK, unionization rates remain higher than in the USA, and despite long periods of conservative rule, employee rights under the law remain stronger than in the USA; the question emerges as to if this distinctiveness will persist, given the present (2023) UK government’s support for curtailing worker rights.

Given further changes in the USA since the survey was conducted, most notably the upsurge of private equity activity that has been on a larger scale than elsewhere in the world (Haarmeyer, 2020), it might seem that LMEs may become even more different in future.

Interestingly, our findings did not suggest much in the way of differences between listed and unlisted firms. Whilst the former may be subject to the vagaries of high frequency trading, and insurgent activist investors, a growing proportion of unlisted firms have been subject to private equity investment (Phalippou, 2020; Metric & Yasuda, 2010), which also tends to prompt more hardline HRM policies (Dundon & Rafferty, 2018), potentially encouraging others to follow suit, to placate other investors with similar expectations of returns and/or to pre-empt a future hostile takeover predicated on imposing ‘improvements’ in managerial practices.

At an applied level, the study suggests that in the USA, HRM specialists have much less scope to depart from paradigms focusing on value release, with the interests of employees placed second: Indeed, the data revealed that such organizations are less likely to assign responsibility to middle level managers, limiting the opportunities for HRM and line managers to ‘soften the edges’ and/or experiment with approaches that mitigate any negative effects of lower levels of communication, involvement and job security. It has been argued that should the firm be placed on an optimal path to profitability, then ultimately employees will benefit from the trickle-down effects (c.f. Botero et al., 2004). However, value extraction is not the same as organizational prosperity. Moreover, sweating organizational assets, be they physical or human, may ultimately end up destroying more value than it creates (Lazonick & Shin, 2020). Again, reduced employee responsibility may result in much less divergence between firms in other areas of practice. Conversely, in less pure LMEs, there is more room for employee voice and middle management autonomy; this, in turn, may provide more space for the development of novel forms of HRM practice.

At a theoretical level, our study highlights how, under a specific broad institutional regime, specific systemic features may exert stronger effects on certain firm level practices than others. This might not only explain why other accounts looking at LMEs (on their own, or in comparison with CMEs) have found greater similarities (Witt & Jackson, 2016) or cast the UK closer to the US camp (Konzelmann & Fovargue-Davies, 2012), but may also help to explain why the liberalization of key institutional features in many quite different national systems does not always have the same degree of effect as initially predicted. In other words, institutions may not always be as closely coupled as is widely assumed (Wood & Schnyder, 2021; Lane & Wood, 2009), and indeed, the effects of some institutions may be particularly concentrated in a certain sphere. Does this mean that predictions of global convergence with the US model are increasingly misplaced? That would certainly seem to be the case in HRM.

Perhaps the question is rather which areas, and which specific types, of change would make other countries more akin to the USA?

Finally, it is also important to highlight the limitations of this study, and the fact that the available data only enabled us to study three of the LMEs empirically, is clearly a limitation. This study only looks at Australia, USA, and UK, albeit those are states that are often seen as having more common ground than Canada and New Zealand, on the basis of differences in electoral systems, provincial powers, and the relative role of the state. It is recognized that this is a limitation of the research, and a closer evaluation of New Zealand and Canada might reveal further insights on LME diversity.

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**Table 1: Descriptive Statistics**

	USA			UK			Australia			Germany			Sweden			Total		
	Obs.	Mean	St Dev	Obs.	Mean	St Dev	Obs.	Mean	St Dev	Obs.	Mean	St Dev	Obs.	Mean	St Dev	Obs.	Mean	St Dev
Assignment Scale	405	28.33	31.45	167	34.77	34.29	314	35.39	33.70	221	46.41	33.57	232	53.18	30.61	1339	38.36	33.80
Delegation Scale	405	36.35	34.12	167	49.34	36.26	314	42.12	36.37	221	62.08	31.45	232	78.95	26.78	1339	50.94	36.75
Annual Staff Turnover	405	18.48	16.81	167	15.64	10.70	314	15.68	12.74	221	6.01	6.23	232	7.71	6.43	1339	12.84	12.73
Compulsory Redundancies	405	0.09	0.28	167	0.13	0.34	314	0.12	0.32	221	0.09	0.28	232	0.09	0.28	1339	0.10	0.30
Log (Total Employees)	405	6.73	2.03	167	6.17	1.88	314	5.99	1.85	221	6.49	1.52	232	6.65	1.13	1339	6.44	1.78
Public Sector	405	0.38	0.48	167	0.07	0.25	314	0.25	0.44	221	0.08	0.27	232	0.43	0.49	1339	0.26	0.44
Primary	405	0.03	0.18				314	0.05	0.21				232	0.01	0.08	1339	0.02	0.14
Secondary	405	0.22	0.41	167	0.18	0.38	314	0.15	0.36	221	0.46	0.50	232	0.28	0.45	1339	0.26	0.44
Financial Services	405	0.06	0.24	167	0.09	0.29	314	0.11	0.31	221	0.11	0.31	232	0.03	0.17	1339	0.08	0.27
Tertiary	405	0.69	0.46	167	0.73	0.44	314	0.69	0.46	221	0.43	0.49	232	0.69	0.46	1339	0.65	0.48
Listed Company	405	0.08	0.27	167	0.23	0.42	314	0.17	0.37	221	0.18	0.39	232	0.22	0.42	1339	0.16	0.37
Domestically-owned	405	0.93	0.27	167	0.81	0.39	314	0.82	0.38	221	0.82	0.38	232	0.83	0.38	1339	0.85	0.35
Foreign-owned	405	0.07	0.26	167	0.10	0.31	314	0.13	0.33	221	0.11	0.31	232	0.13	0.34	1339	0.11	0.31
US-owned MNE				167	0.08	0.26	314	0.05	0.22	221	0.07	0.25	232	0.04	0.19	1339	0.04	0.20
Germany																1339	0.17	0.37
Sweden																1339	0.17	0.38
Australia																1339	0.23	0.42
UK																1339	0.12	0.33
USA																1339	0.30	0.46

**Table 2: Regression Model of Delegation**

	Coefficient	Std. Error	t-ratio	Sig.
Constant	15.14***	3.56	4.26	0.00
Log (Total Employees)	3.68***	0.48	7.63	0.00
Public Sector	15.83***	2.09	7.57	0.00
Primary	9.28	6.07	1.53	0.13
Secondary	5.59**	2.02	2.77	0.01
Financial Services	1.66	3.12	0.53	0.60
Listed Company	0.90	2.30	0.39	0.70
Foreign-owned	-0.26	2.58	-0.10	0.92
US-owned MNE	-1.21	3.98	-0.30	0.76
Germany	18.84***	2.50	7.54	0.00
Sweden	32.83***	2.41	13.60	0.00
Australia	9.51***	2.48	3.84	0.00
UK	16.00***	2.81	5.70	0.00
Dependent Variable	Delegation Scale			
Mean	50.94			
Standard Deviation	36.75			
Observations	1339			
R-squared	0.221			

\*, \*\* and \*\*\* indicate significance at the 10, 5 and 1% levels respectively.

**Table 3: Regression Model of Assignment**

	Coefficient	Std. Error	t-ratio	Sig.
Constant	40.25***	3.56	4.26	0.00
Log (Total Employees)	-1.65***	0.48	7.63	0.00
Public Sector	1.32***	2.09	7.57	0.00
Primary	0.13	6.07	1.53	0.13
Secondary	-2.66**	2.02	2.77	0.01
Financial Services	-5.67	3.12	0.53	0.60
Listed Company	-1.11	2.30	0.39	0.70
Foreign-owned	-7.06	2.58	-0.10	0.92
US-owned MNE	-4.22	3.98	-0.30	0.76
Germany	19.93***	2.50	7.54	0.00
Sweden	24.65***	2.41	13.60	0.00
Australia	7.24***	2.48	3.84	0.00
UK	5.33***	2.81	5.70	0.00
Dependent Variable	Assignment Scale			
Mean	38.36			
Standard Deviation	33.80			
Observations	1339			
R-Squared	0.095			

\*, \*\* and \*\*\* indicate significance at the 10, 5 and 1% levels respectively.

**Table 4: Regression Models of Interdependence**

	Coefficient	Std. Error	t-ratio	Sig.	Coefficient	Std. Error	Wald stat	Sig.
Constant	18.33***	1.63	11.27	0.00	-2.59***	0.43	36.07	0.00
Log (Total Employees)	0.46**	0.22	2.08	0.04	0.04	0.06	0.45	0.50
Public Sector	-4.25***	0.96	-4.43	0.00	-0.54*	0.28	3.63	0.06
Primary	-4.74***	1.66	-2.87	0.00	0.40	0.43	0.83	0.36
Secondary	-4.76***	0.96	-4.94	0.00	0.97***	0.22	19.82	0.00
Financial Services	-2.60**	1.13	-2.30	0.02	0.12	0.34	0.12	0.73
Listed Company	0.17	1.02	0.17	0.87	0.10	0.24	0.19	0.67
Foreign-owned	-1.73	1.13	-1.53	0.13	0.50**	0.25	4.13	0.04
US-owned MNE	-1.52	1.74	-0.87	0.38	0.67*	0.38	3.23	0.07
Germany	-12.18***	1.11	-11.02	0.00	-0.73***	0.30	6.07	0.01
Sweden	-10.10***	1.11	-9.10	0.00	-0.47	0.30	2.53	0.11
Australia	-2.16*	1.14	-1.89	0.06	-0.03	0.28	0.01	0.93
UK	-3.58***	1.20	-2.99	0.00	0.001	0.30	0.00	0.99
Dependent Variable	Annual Staff Turnover				Compulsory Redundancies			
Mean		12.84					0.10	
Standard Deviation		12.73					0.30	
Observations		1339					1339	
R-Squared		0.201			Cox & Snell R-Squared		0.035	

\*, \*\* and \*\*\* indicate significance at the 10, 5 and 1% levels respectively.