*Araştırma Makalesi*

# Varieties of Labour Market Institutions: Flexibility, Social Protection, and the Limits of Neoliberal Orthodoxy

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**Abstract:** It has been observed that different types of capitalism generate different outcomes in terms of labour market performance. In this context, it is often emphasized that Liberal Market Economies perform better in labour markets compared to Coordinated Market Economies, a performance often attributed to the weaker institutional regulations in LMEs. However, over time, the validity of this claim has begun to decline. Countries with rigid labour markets, characterized by more extensive institutional regulations, have demonstrated positive developments in labour market performance. In this regard, the study seeks to answer the following question: Do flexible labour markets yield better outcomes than rigid and regulated labour markets in terms of labour market performance? To this end, the labour market institutions of 25 countries were examined, taking into account the literature on Varieties of Capitalism. The findings obtained through descriptive statistics indicate that there is pressure toward labour market flexibility. Nevertheless, it has also been

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observed that different models and institutional structures continue to exist, and these structures have achieved successful outcomes in the context of labour markets.

**Keywords** Varieties of Capitalism, Labour Markets, Unemployment, Liberal Market Economy, Coordinated Market Economy.

**Emek Piyasalarının Kurumsal Çeşitliliği: Esneklik, Sosyal Koruma ve Neo-Liberal Ortodoksinin Sınırları**

**Öz:** Farklı kapitalizm türlerinin, emek piyasası performansı açısından farklı sonuçlar ürettiği gözlemlenmiştir. Bu bağlamda, Liberal Piyasa Ekonomilerinin, Eşgüdümlü Piyasa Ekonomilerine göre emek piyasaları açısından daha iyi performans gösterdiği sıklıkla vurgulanmaktadır. Bunun nedeni olarak, emek piyasalarındaki kurumsal düzenlemelerin zayıf olması öne sürülmektedir. Ancak zamanla bu söylem geçerliliğini yitirmeye başlamıştır. Kurumsal düzenlemelerin yoğun olduğu, katı emek piyasalarına sahip ülkelerin emek piyasası performansı açısından olumlu gelişmeler gösterdiği gözlemlenmiştir. Bu doğrultuda, bu çalışma şu sorunun cevabını aramaktadır: Emek piyasası performansı açısından, esnek emek piyasaları, katı ve kurallı emek piyasalarına göre daha iyi sonuçlar mı doğurur? Bu amaçla, kapitalizmin çeşitleri literatürü dikkate alınarak 25 ülkenin emek piyasası kurumları incelenmiştir. Betimleyici istatistiklerin kullanılmasıyla elde edilen bulgular, emek piyasalarında esneklik yönünde bir baskının var olduğunu göstermektedir. Buna rağmen, farklı modellerin ve kurumsal yapıların varlığını sürdürdüğü ve bu yapıların emek piyasaları bağlamında başarılı sonuçlar ürettiği gözlemlenmiştir.

**Anahtar Kelimeler:** Kapitalizmin Çeşitleri, Emek Piyasaları, İşsizlik, Liberal Piyasası Ekonomisi, Eşgüdümlü Piyasa Ekonomisi.

# Introduction

Political economists have maintained their interest in the differences in economic and political institutions across countries and have sought conceptual frameworks to understand this institutional differentiation (Hall and Soskice, 2001: 1; Hall and Gingerich, 2009: 449). Understanding the changes and transformations of these systems requires a comparison of their institutional similarities and differences (Deeg and Jackson, 2007: 150). Hall and Soskice's Varieties of Capitalism (VoC) approach highlights the competitive dynamics and institutional loyalties of national economies, offering valuable insights into these differences (Bosch et al., 2007: 256-258).

At this point, the VoC literature has gained prominence for explaining developments through examples from different countries and types of capitalism. Labour markets and institutions represent a significant area of study for analyzing these variations. In this context, the VoC literature emphasizes that, in some types of capitalism, particularly Coordinated Market Economies (CMEs), employees are protected by strong institutions and protective measures. In contrast, in Liberal Market Economies (LMEs), these protections are generally weaker (Heyes et al., 2012: 12).

What is emphasized here is the complexity of the relationship between labour market institutions and the outcomes they produce. When evaluations of country examples are examined (Glyn, 2005: 213), it becomes clear that different results emerge across various countries. For instance, countries with so-called strict labour markets tend to have low unemployment rates, whereas countries with flexible labour markets experience higher unemployment rates. These differences are significant in demonstrating that the claim that labour market flexibility reduces unemployment is not universally true, and that different types of capitalism can achieve successful outcomes (Howell, 2005: 312; Freeman, 2000; Freeman, 2004). When indicators such as inequality and the labour share of income are analyzed, results consistent with these observations also emerge.

In this context, the VoC literature is analyzed in the second section of the study. The third section evaluates countries' labour markets and the changes they experience over time, based on the available data. Accordingly, whether countries adopt neo-liberal policies or converge toward LMEs will also be examined. Although the analysis indicates a general trend toward LMEs, it also reveals that different countries still maintain distinct labour market institutions, resulting in varied outcomes. Unemployment, inequality, and differences in the labour share of income across various models are also assessed within this framework. The results obtained are discussed in the conclusion section.

## Varieties of Capitalism and Labour Markets

Capitalism has emerged as the dominant economic model in today's world, especially following the dissolution of the Soviet Union and China's transition to a market economy. In this context, the different types of capitalism emerging in various countries have drawn significant attention, and the comparative political economy literature has emphasized these diverse forms of capitalism (Boyer, 2005: 510; Kang, 2006: 23). Although debates on this topic date back to the 1960s, the discussion gained prominence in comparative political economy after Hall and Soskice's (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative*

*Advantage* study (Boyer, 2005: 510; Kang, 2006; Kaufman, 2010: 24-25; Bozkurt, 2011: 8). Hall and Soskice's study offers a new framework for analyzing institutional similarities and differences in advanced economies (Hall and Soskice, 2001: 1-2).

Hall and Soskice distinguish between two main types of capitalist systems: Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs) (Soskice, 2005: 171; Hyman, 2008: 4-5). Countries such as the United States, the United Kingdom, Australia, Canada, New Zealand, and Ireland are classified as LMEs, while Germany, Japan, Switzerland, the Netherlands, Belgium, Sweden, Denmark, Finland, and Austria are identified as CMEs. In contrast, countries like France, Italy, Spain, Portugal, Greece, and Turkey occupy a more ambiguous position. These are referred to as Mediterranean Market Economies (MMEs). It is important to note that countries in this group typically have a large agricultural sector and a history of significant government intervention. Moreover, while this group is said to exhibit non-market coordination mechanisms in the financial sector, it is considered more liberal in terms of labour relations (Hall and Soskice, 2001: 19-21). In addition, other regions of the global economy have also been analyzed within the VoC framework. Nölke and Vliegenthart (2009), for instance, included Central and Eastern European countries in their analysis. This group, which includes the Czech Republic, Hungary, Poland, Slovakia, and Slovenia, is referred to as the former Eastern Bloc or post-communist countries (Nölke and Vliegenthart, 2009: 671).

A similar classification that emphasizes different forms of capitalism, in terms of both institutional differences and performance, was proposed by Esping-Andersen (1990) in his typology of European welfare state regimes. This approach is also referred to as the "*varieties of welfare capitalism.*" The regimes he identified are, the Scandinavian–Social Democratic, Continental European–Corporatist, and Anglo-Saxon–Liberal models. Later, with the inclusion of the Mediterranean–Southern European regimes, the number increased to four (Esping-Andersen, 1990; Crouch, 2005: 447–448; Sapir, 2006; Pegasiou, 2013: 9). Esping-Andersen (1990) pointed out that demographic changes, transformations in the production structure, and the process of globalization have had significant effects on labor markets and state policies (Buğra and Keyder, 2003: 13; Erhel and Zajdela, 2004: 127; Esping-Andersen, 1990: 25–29; Bosch et al., 2007: 256–258; Bozkurt, 2013: 202). Both Esping-Andersen's *Three Worlds of Welfare Capitalism* and Hall and Soskice's *Varieties of Capitalism* have contributed significantly to the development of debates on the varieties of capitalism. While Hall and Soskice focus on institutional differences in their analysis, Esping-Andersen evaluates different welfare state regimes (Hopkin and Blyth, 2004: 6).

Estevez-Abe et al. (2001) emphasized a connection between Hall and Soskice's *Varieties of Capitalism* (Liberal and Coordinated Market Economies) and Esping-Andersen's Welfare State Regimes (Social Democratic, Continental European, and Liberal Regimes). In this regard, they suggest that Coordinated Market Economies tend to have either a Social Democratic or Continental European Welfare Regime, whereas Liberal Market Economies are associated with the Liberal Welfare Regime (Soskice, 2005: 175).

It is possible to define the different country groups mentioned above by examining their labour markets and making distinctions accordingly (Thelen, 2001: 73; Lallement, 2011: 637). When defining LMEs, the emphasis is placed on deregulated labour markets, whereas in CMEs, cooperation and collective agreements play a more decisive role (Boyer, 2005: 537-538). In this context, layoffs are more easily facilitated in LMEs due to flexible labour markets, allowing firms to quickly adapt to changing conditions. In contrast, in CMEs, labour market institutions make layoffs more difficult (Hall and Soskice, 2001: 16; Hopkin and Blyth, 2004: 3; Soskice, 2005: 171-172; Crouch, 2005: 443).

**Table 1: Labour Markets and Varieties of Capitalism**

| | **Liberal Market Economies** | **Coordinated Market Economies** | **Mediterranean Market Economies** | **Central and Eastern European Countries** |
|---|---|---|---|---|
| **Features of Labour Market** | Weak employment protection, Secondary and external markets | Employment protection is at an intermediate level, facilitating mobility supported by a high level of general skills, and occupational markets | Strong employment protection, Internal markets, and Labour market segmentation | A Deregulated labour market |
| **Preferred Instruments for Regulation of Employment** | External flexibility: workforce redundancies and wage flexibility | Internal flexibility: working time flexibility and functional flexibility | Dual flexibility: protection for the core labour force and insecurity for the primary workforce (precarity) | Low hiring and firing costs, weak unions, and firm-based wage negotiations |
| **The Primary Response to Employment Crisis** | Accentuation of misadjustments | Adaptation to the crisis | Reinforcement of inequalities | Employment tracks the changes in income. |

**Source:** Lallement, 2011: 638; Kenll and Srholec, 2006

As seen in Table 1, MMEs can be added alongside LMEs and CMEs as a third country group. This group is distinguished from the others and has led to the development of a new classification, as its labour markets exhibit both flexibility and inequality (Lallement, 2011: 638). On the other hand, Crowley applied the VoC approach to the Central and Eastern European Economies (CEEs), which are new members of the European Union, making an important contribution to the study of developing countries. Deregulated labour markets also appear in this group (CEEs). In particular, the transformations experienced in these countries after the dissolution of the Soviet Union are frequently cited as examples of the EU's neoliberal orientation. Therefore, the flexibilization of labour markets in these cases is often interpreted as a consequence of neoliberal policies in the EU (Crowley, 2005; Crowley, 2007).

On the other hand, this approach has also faced strong criticisms. The VoC approach is criticized for having a short to medium-term perspective, being disconnected from the global dynamics of long-term capital, and assuming that productive and developed structures can simply be copied or exported (Jessop, 2012: 5–6; Jessop, 2014a: 48). Furthermore, Jessop (2014a) argues that the VoC literature possesses "less historical depth," "more limited comparisons," and "a narrow theoretical focus." In fact, Jessop's approach does not describe capitalism as consisting of different varieties; rather, it contends that there is a single capitalism with internal differentiations, a concept he refers to as the "variegated capitalism" perspective.

The recent integration of post-Keynesian insights into Comparative Political Economy has sparked interesting new debates on the macroeconomic foundations of the field. Post-Keynesian theory emphasizes on income distribution, finance, and the path dependence of growth, distinguishing itself from both neoclassical and Marxist approaches (Stockhammer, 2018: 1).

In the VoC analysis, financial factors, fiscal policy, and monetary policy play a secondary role. In contrast, post-Keynesian literature assigns a prominent role to financial factors (Stockhammer and Ali, 2018: 12). The VoC analysis, which attributes the European crisis to issues of competitiveness, is considered to have a weak foundation for explaining the Euro crisis. Consequently, there is growing interest in post-Keynesian analysis, which focuses on demand regimes and financialization (Stockhammer and Ali, 2018: 13).

Although the VoC approach focuses on aspects of economic coordination, such as the organization of labour markets, vocational training, and the role of trade unions, its tendency to treat labour as a passive factor of production and to overlook the labour–capital contradiction is considered a significant shortcoming (Jessop, 2014b). Furthermore, recent developments regarding the declining position of labour, along with the observation that these changes have occurred in both Liberal and Coordinated Market Economies, have led to increasing criticism of the VoC literature (Heyes et al., 2012: 12).

## Evaluation of Varieties of Capitalism in the Context of Labour Market Institutions

The effects of neoliberal policies are most pronounced in labour markets and are experienced by workers in both developed and developing countries. In this context, the weakening of workers' bargaining power vis-à-vis employers, particularly with respect to wages and working conditions, can be seen as a direct consequence of these developments (Onaran, 2007: 3; Onaran and Aydıner-Avsar, 2006).

According to the neo-liberal economic approach, the causes of unemployment are identified as high labour costs, high dismissal costs, labour market rigidities, and trade unions (Onaran, 2007: 2–3). In contrast to this perspective, three alternative approaches attempt to explain the causes of unemployment. The first, based on Keynesian economics, attributes unemployment to a decline in investment. The second approach argues that, due to globalization and the resulting competitive pressures, employment growth has not kept pace with economic growth. Finally, the third approach, grounded in Marxist economic theory, emphasizes the disciplining role of unemployment over labour (Onaran, 2007: 3).

Although the influence of neoliberalism is acknowledged, it is also criticized when everything is attributed solely to it. In this context, it has been emphasized that, while European Social Democracy has been influenced by neoliberalism, it has nonetheless continued to maintain its existence (Gamble, 2001: 134). Within this group of countries, there are liberal models that have implemented the measures advocated by neoliberal policies, as well as coordinated models that continue to preserve traditional institutions. An examination of European Union countries reveals the differences between them and highlights the difficulty of achieving cohesion within the Union. It has been observed that there is no single model within the EU, whether a free-market model or a welfare-state model (Hyman, 2008: 7–9). These differences have led researchers to turn to the literature on the varieties of capitalism.

The varieties of capitalism approach is significant because it demonstrates how capitalism takes different forms across various contexts (Williams et al., 2012: 114–115). This literature advances two main claims. First, different national capitalisms may exist within a globalizing context. Second, these differences are likely to resist the adaptation processes brought about by neoliberal pressures (Crowley, 2005: 3).

Erhel and Zajdela (2004: 138–139) stated that, although there are differences in institutional arrangements between countries, developments toward an adaptation process have also been observed. In this context, the reform process promoted by Europe across all candidate and member states, particularly to prevent falling behind in the competitive global order, is considered significant. As a result, this process has brought labor market regulations to the forefront (Erhel and Zajdela, 2004: 138–139; Peters et al., 2005: 1288).

Therefore, one of the questions being raised is whether labor markets will evolve into a liberal model under the influence of neoliberalism (Freeman, 2000; Freeman, 2004: 6). In recent years, significant changes and reforms have occurred in the labor markets of European countries. Indeed, a convergence toward the market can be observed through measures such as labor market flexibilization and employment incentives, and these reforms have spread across countries. However, despite these reforms, certain differences at the national level remain noticeable (Erhel and Zajdela, 2006: 126; Hira and Hira, 2000: 269).

Since the 1980s, international institutions and organizations such as the OECD and the European Union have facilitated the implementation of passive spending measures and the development of work-oriented programs. As part of this adaptation process, policies have emerged that promote transformation through measures such as labour market flexibility and employment incentives (Erhel and Zajdela, 2004: 126).

Heyes et al. (2012) stated that during this period, employees in both LMEs and CMEs experienced a loss of their gains. On the other hand, Hall (2007) explains this process in terms of institutional change, arguing that it is not a new development but one that has been ongoing since World War II. In this context, he suggests that different political economies may emerge as firms and governments respond to these changes by revising their strategies. Therefore, he critiques the concept of liberalization and the assumption that countries will converge into a single model, emphasizing that national differences persist despite this trend (Hall, 2007: 76-78). Furthermore, Hall and Soskice (2001) discuss the relationship between different types of capitalism and welfare states in the context of labour markets, asserting that different models of capitalism correspond to different types of labour markets (Hall and Soskice, 2001: 50-51). Similarly, Dev Roy (2009) highlights that the institutional characteristics of labour markets vary across European Union countries and argues that these institutional differences lead to divergent responses to economic shocks (Dev Roy, 2009: 19).

At this point, labour market institutions of various countries have been analyzed to evaluate the transformation process. The countries examined are grouped according to the classification framework provided by the VoC literature. While this classification initially distinguished only between LMEs and CMEs, it has evolved to include Southern European and Central and Eastern European countries as the literature has developed. To analyze changes in labour market institutions, the 2008 global crisis was taken as a key reference point, with both pre-crisis and post-crisis periods examined (Ferdosi, 2019). During this time, neo-liberals responded to the crisis by advocating even stronger neoliberal policies, suggesting a shift toward greater alignment with the liberal model. As a result of neo-liberal pressure, the dynamics of convergence and divergence among different types of capitalism are assessed in the context of labour markets, based on conditions before the crisis and subsequent developments. Additionally, the impact of the COVID-19 pandemic on labour markets will be evaluated using the most recent available data. The study evaluates a total of 25 countries, with data obtained from national and international databases such as the OECD, IMF, World Bank, and TURKSTAT. Some countries were excluded from this classification due to difficulties in accessing data. In addition to issues related to data accessibility, several deficiencies were identified within the available datasets. Missing values were imputed using the mean of the corresponding variable to ensure consistency in the analysis. Descriptive statistics were generated using R Studio software. In the following section, labour market institutions and the changes they have undergone over time are analyzed within the framework of the VoC literature.

One of the limitation of this study is that the explanatory interpretations are derived from the compiled data. Similarly, there are limitations related to data sources during the data collection process. For example, the confusion surrounding trade union statistics arises from the use of different methods and sources. The lack of internationally recognized common standards and guidelines in this field creates a significant problem of comparability (Çelik and Lordoğlu, 2006). Although comparing unionization rates is challenging due to differences in countries' industrial relations systems and union characteristics, some studies make such comparisons possible. In this context, the Organisation for Economic Co-operation and Development (OECD) provides comparable data on unionization (DİSK-AR, 2019).

Another limitation is the heterogeneity among the countries within the same group. When grouping countries, the classification from the VoC literature was used as the basis. This classification, which initially adopted a dual structure, was later expanded through subsequent studies. With these new classifications, the narrow VoC has been extended beyond the rigid binary structure (Nölke and Vliegenthart 2009, p. 673) Although these classifications are commonly used in the literature, it is evident that there is no complete homogeneity among the countries within the same group. For example, Eren (2020) emphasized that the positions of MMEs are ambiguous, stating that in this group of countries, state intervention and liberal labor relations can be observed simultaneously. MMEs, which are used to define Southern Europe, although they share some features of LMEs and CMEs, generally represent a model heavily influenced by regulation and state intervention (Tulun and Öktem, 2012: 5-6; Molina and Rhodes; Schmidt, 2007). Similiarly, the analyses of Eastern European countries indicate that some East Central European countries correspond to CMEs, while others correspond to LMEs (Nölke and Vliegenthart 2009). In fact, this classification has been described as a hybrid rather than homogeneous, as the countries included may exhibit different characteristics. Therefore, it is possible to observe the distinct features of both CMEs and LMEs in the countries classified as MMEs and CEEs. For example, in France, while the unionization rate is around 8 percent, the collective bargaining coverage rate stands at 98.5 percent. In contrast, Turkey, which is classified in the same group as France, is among the countries with the lowest collective bargaining coverage rates (DİSK-AR, 2019: 7). When examining tax policies, it has been found that the share of income tax within GDP and total tax revenues has decreased over time in Turkey, while it has increased in Greece (Akça 2019). The different weights of these features across countries also contribute to the emergence of different types of capitalism (Kıran 2018, p. 44).

### *Union Density*

The union density ratio, calculated by dividing the number of unionized workers by the total number of employees, is a key indicator of the state of organized labour in a country. When countries are compared in terms of union density, it becomes evident that different groups of countries exhibit varying levels of density (Heyes et al., 2012: 14, 16). The International Labour Organization (ILO) defines the unionization rate as the ratio of union members to the wage- and salary-earning labor force. Although in some European countries retired or unemployed workers may continue their union membership, the ILO does not take retirees, the unemployed, or the self-employed into account when calculating the unionization rate (Çelik and Lordoğlu, 2006).

Although comparing unionization rates is difficult due to differences in countries' industrial relations systems and unionization characteristics, there are studies that enable such comparisons. The OECD provides comparable data on unionization (DİSKAR, 2019). The OECD (2024) uses two main methods to estimate union density. The first is survey-based estimates. This method provides detailed breakdowns by age, gender, and sector; however, it does not cover cross-border or non-resident workers. The second method relies on administrative membership statistics, which are based on data obtained from trade unions, government surveys, or official records. Since these figures often include non-working individuals (such as retirees, the unemployed, and the self-employed), adjustments are made to exclude them and to obtain "net" membership figures used for consistent union density rates. In principle, these sources also cover cross-border or non-resident workers, but when the data come directly from unions, verification tends to be more difficult. In this context, Çelik (2011) emphasized that, given the challenges of collecting unionization statistics, OECD unionization data are highly valuable[2]. Similarly, unionization rates alone are insufficient to

[2] At this point, since the OECD did not consider the official statistics published by Turkey's Ministry of Labour and Social Security for the period 1984–2012 to be reliable, it used the method proposed by Çelik and Lordoğlu (2006), which is based on using the

reflect the proportion of workers benefiting from union protection. As is well known, one of the most important functions of trade unions is to defend the rights and interests of their members through collective bargaining agreements. At this point, the number and proportion of workers covered by collective agreements become significant. Depending on a country's industrial relations system and legislation, collective agreement coverage may be higher or lower than the unionization rate. In most OECD and EU countries, collective bargaining mechanisms allow collective agreements to apply to non-union members as well. Thus, collective agreements may exceed unionization rates (DİSKAR, 2019).

number of workers covered by collective agreements as the basis for estimating unionization as well (DİSK-AR, 2019; Çelik and Lordoğlu, 2006).

**Table 2: Union Density and Employment Protection Index in the VoC**

| | | Union Density | | | | | | Employment Protection Index | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2000** | **2005** | **2010** | **2015** | **2020** | **2024** | **2000** | **2005** | **2010** | **2015** | **2020** | **2024** |
| **Liberal Market Economies** | United Kingdom | 29.8 | 28.6 | 26.6 | 24.7 | 23.5 | 22 | 1.5 | 1,5 | 1.5 | 1.3 | 1.3 | 1.3 |
| | United States | 12.9 | 12 | 11.4 | 10.6 | 10.3 | 9.9 | 0.1 | 0,1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | Ireland | 35.9 | 32.4 | 31.6 | 25.4 | 26.2 | 22.2 | 1.2 | 1,2 | 1.1 | 1.2 | 1.2 | 1.2 |
| | Canada | 28,2 | 27.7 | 27.2 | 26.5 | 27.2 | 28.3 | 0.5 | 0,5 | 0.5 | 0.5 | 0.5 | 0.5 |
| | Australia | 24.9 | 22.5 | 18.4 | 15.1 | 13.7 | 12.2 | 1.4 | 1,4 | 1.6 | 1.6 | 1.6 | 1.6 |
| | New Zealand | 22.4 | 22.3 | 21.4 | 17.9 | 17.7 | 20.3 | 1.4 | 1,8 | 1.8 | 1.6 | 1.6 | 1.6 |
| | **Average** | **25.6** | **24.2** | **22.7** | **20** | **19.7** | **19.1** | **1.1** | **1,1** | **1.1** | **1.1** | **1.1** | **1.1** |
| **Coordinated Market Economies** | Germany | 24.6 | 21.5 | 18.9 | 17.6 | 16.3 | 14.1 | 2.6 | 2,6 | 2.6 | 2.6 | 2.6 | 2.6 |
| | Austria | 36.9 | 33.8 | 28.9 | 27.4 | 26.3 | 20.2 | 2.6 | 2,2 | 2.2 | 2.2 | 2.2 | 2.2 |
| | Sweden | 81 | 75.7 | 68.2 | 67 | 65.2 | 65.9 | 2.4 | 2,4 | 2.4 | 2.4 | 2.4 | 2.4 |
| | Japan | 21.5 | 18.8 | 18.4 | 17.5 | 16.8 | 16.2 | 1.7 | 1,7 | 1.3 | 1.3 | 1.3 | 1.3 |
| | Netherlands | 22.3 | 22.1 | 19.5 | 17.7 | 15.4 | 13.8 | 3.3 | 3,3 | 3.2 | 3.2 | 3.6 | 3.6 |
| | Belgium | 56.6 | 54.9 | 53 | 52.3 | 49.1 | 47.5 | 1.6 | 1,6 | 1.8 | 2.1 | 2.1 | 2.1 |
| | Denmark | 74.5 | 71.5 | 68.1 | 68.2 | 67 | 60.4 | 1.4 | 1,4 | 1.5 | 1.5 | 1.5 | 1.5 |
| | Finland | 74.2 | 72.7 | 71.4 | 67.5 | 58.8 | 51.4 | 2.2 | 2 | 2 | 2.1 | 2 | 2 |
| | **Average** | **48.9** | **46.3** | **43.3** | **41.9** | **39.3** | **36.1** | **2.2** | **2,1** | **2.1** | **2.2** | **2.2** | **2.2** |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Mediterranean Market Economies** | France | 10.8 | 10.5 | 10.8 | 11 | 10.8 | 10.8 | 2.5 | 2,7 | 2.5 | 2.5 | 3.1 | 3.1 |
| | Greece | 24.9 | 24.1 | 22.2 | 23.1 | 19 | 19 | 3.1 | 3,1 | 3.1 | 2.4 | 2.4 | 2.4 |
| | Italy | 34.8 | 33.8 | 35.3 | 34.2 | 32.5 | 30.2 | 3 | 3 | 3 | 2.9 | 2.4 | 2.4 |
| | Spain | 17.5 | 15.5 | 18.2 | 14.4 | 12.5 | 12.5 | 2.3 | 2,3 | 2.3 | 1.9 | 1.9 | 1.9 |
| | Portugal | 20.5 | 21.6 | 19.6 | 16.1 | 15.3 | 15.3 | 4.5 | 4,4 | 4.1 | 3.1 | 3.1 | 3.1 |
| | Turkey | 12.5 | 10.3 | 7.3 | 8 | 9.9 | 10.9 | 3 | 2,9 | 2.9 | 2.9 | 2.9 | 2.9 |
| | **Average** | **20.1** | **19.3** | **18.9** | **17.8** | **16.6** | **16.4** | **2.1** | **2,1** | **2.1** | **1.8** | **1.7** | **1.7** |
| **Central and Eastern European Countries** | Poland | 23.5 | 22.9 | 17.4 | 16.5 | 13.4 | 9.4 | 2.3 | 2,3 | 2.3 | 2.3 | 2.3 | 2.3 |
| | Czech Rep. | 27.2 | 20.6 | 16.1 | 11.9 | 11.4 | 9.4 | 3.6 | 3,6 | 3.3 | 3.2 | 3.2 | 3.2 |
| | Slovakia | 34..2 | 25.4 | 16.4 | 12.6 | 11.3 | 11.8 | 3.1 | 2,8 | 2.8 | 2.5 | 2.5 | 2.5 |
| | Hungary | 23.8 | 17.9 | 15.3 | 11 | 8.3 | 8.3 | 2 | 2 | 2 | 1.5 | 1.5 | 1.5 |
| | Slovenia | 44.2 | 37.1 | 32.6 | 23.8 | 23.8 | 15.3 | 2.6 | 2,6 | 2.6 | 2.1 | 2.1 | 2.1 |
| | **Average** | **30.5** | **24.7** | **19.5** | **15.1** | **13.6** | **10.8** | **2.7** | **2,7** | **2.6** | **2.3** | **2.3** | **2.3** |

**Source:** World Bank, 2020; IMF, 2020; OECD, 2020; OECD, 2025a; OECD, 2025b

Looking at Table 2, one can observe that LMEs have low union density. As expected, union density is high in CMEs. It is also evident that this ratio is low in MMEs. Notably, union density is also low in CEEs, which is an important point to highlight. The overall decline in union density across countries can be seen as a consequence of neoliberal policies. This downward trend is evident across all types of capitalism, as reflected in the average rates presented in Table 2. Heyes et al. highlighted this issue, characterizing the decline in union density as an effect of neoliberalism (Heyes et al., 2012: 14, 16). This interpretation challenges the VOC's position against neoliberalism and supports the perspective that neoliberalism has influenced all countries. Within this framework, considering the data in Table 2, union density has decreased in 23 out of 25 countries (with the exception of Canada and France).

Although the finding that country groups exhibit a decreasing trend in union density over the years is correct, the fact that each country group has different density levels presents a more nuanced narrative. When we examine the first column of Table 2, we see that the union density averages of the country groups vary significantly. For instance, the values for CMEs 2000 (48.9) and 2024 (36.1) are higher than those for both LMEs and other types of capitalism. Looking at the union density ratios of the different types of capitalism in 2024, LMEs recorded a value of 19.1, MMEs 16.4, and CEEs got 10.8. Therefore, considering the data in Table 2, it can be concluded that the average union density in CMEs is higher than that in other types of capitalism.

Examining the data compiled in table, although there is a downward trend in the average union density in CMEs over the years, this decline is smaller compared to other market economies. In other words, CMEs can be noted as the type of capitalism where the decrease in union density has been the lowest 2000 and 2024. The fact that the density ratios in CMEs differ from those in LMEs serves as evidence that institutional differences persist. The decline in trade union density over the period is also clearly evident.

### *Employment Protection Legislation*

Employment protection legislation is measured using the employment protection index. The value of this index provides information about the rigidity or flexibility of employment regulations in different countries. The index, which reflects the difficulty of individual and collective dismissals, ranges from 0 to 6. A lower index value indicates a more flexible labour market, while a higher value signifies a more rigid one (OECD, 2025).

While a higher index value signifies a more rigid labour market, a review of employment protection legislation index values reveals key differences among country groups. LMEs, for example, have relatively low index values, indicating that workers can be laid off more easily. The average index value of this group was 1.1 between 2000 to 2024. In contrast, CMEs have high index values, suggesting that dismissing employees is more difficult. The average index value for CMEs from 2000 to 2024 was 2.2, which is notably higher than that of LMEs. This supports earlier explanations regarding the distinct labour market characteristics of different capitalism types, as highlighted in Table 1. As shown in Table 2, the employment protection index varies across countries. CMEs, for instance, have high index values comparable to those of MMEs. MMEs have experienced a noticeable decline over time from 2.1 in 2000 to 1.7 in 2024. A similar trend is observed in CEEs. Although their average index value has decreased, the figures for 2000 (2.7) and 2024 (2.3) remain higher than those of LMEs, CMEs and MMEs. This persistence can be attributed to the enduring influence of historical institutional structures in CEEs. In other words, altering old institutional frameworks may not be as straightforward as expected, and path dependence continues to play a role (Erhel and Zajdela, 2004; Sapir, 2006). Heyes et al. also observe that employment protection index values have declined in many countries over time, indicating that employee protections have become more flexible and precautionary measures for workers have diminished (Heyes et al., 2012: 15). Specifically, 13 out of 25 countries experienced a decrease in their index values. On the other hand, the fact that six countries (the USA, Ireland, Canada, Germany, Sweden, Poland) maintained the same index value, and that six countries (Australia, New Zealand, Netherlands, Belgium, Denmark, France) experience an increase, allows for different interpretations. These variations suggest that the persistence of different index values among country groups reflects the continuing institutional differences emphasized by the VoC framework.

**Table 3: Unemployment Benefits and Collective Bargaining in the VoC**

| | | Collective Bargaining Coverage | | | | | | Unemployment Benefits | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2000** | **2005** | **2010** | **2015** | **2020** | **2024** | **2000** | **2005** | **2010** | **2015** | **2020** | **2024** |
| **Liberal Market Economies** | United Kingdom | 36.4 | 35 | 30.9 | 27.9 | 26.9 | 26.9 | 20 | 19 | 19 | 20 | 23 | 17 |
| | United States | 14.9 | 13.7 | 13.1 | 12.3 | 12.1 | 12.1 | 9 | 9 | 61 | 9 | 7 | 9 |
| | Ireland | 44.2 | 41.7 | 40.5 | 40.5 | 34 | 34 | 31 | 34 | 41 | 40 | 36 | 34 |
| | Canada | 32.4 | 32 | 31.4 | 30.6 | 31.3 | 30.2 | 36 | 25 | 24 | 24 | 24 | 21 |
| | Australia | 62.2 | 64.4 | 61.1 | 62 | 61.2 | 59.7 | 24 | 37 | 32 | 32 | 30 | 36 |
| | New Zealand | 30.7 | 18.2 | 15.6 | 15.9 | 18.6 | 18.7 | 43 | 41 | 38 | 34 | 35 | 42 |
| | **Average** | **36.8** | **34.1** | **32.1** | **31.5** | **30.6** | **30,2** | **27.1** | **27.5** | **35.8** | **26.5** | **25.8** | **26.5** |
| **Coordinated Market Economies** | Germany | 67.8 | 64.9 | 59.8 | 56.8 | 54 | 49 | 61 | 61 | 60 | 59 | 59 | 60 |
| | Austria | 98 | 98 | 98 | 98 | 98 | 98 | 51 | 51 | 51 | 51 | 51 | 51 |
| | Sweden | 87.7 | 89.4 | 88.7 | 88.7 | 88 | 88 | 82 | 82 | 66 | 61 | 60 | 64 |
| | Japan | 21.4 | 18.8 | 18.4 | 17.5 | 16.8 | 15.2 | 37 | 37 | 39 | 36 | 35 | 33 |
| | Netherlands | 81.7 | 91.3 | 90.6 | 79.4 | 75.6 | 72.1 | 55 | 70 | 70 | 69 | 65 | 64 |
| | Belgium | 96 | 96 | 96 | 96 | 96 | 100 | 77 | 77 | 80 | 82 | 76 | 73 |
| | Denmark | 85.1 | 85 | 82.6 | 83.1 | 82 | 81.6 | 86 | 86 | 84 | 84 | 82 | 74 |
| | Finland | 85 | 91.4 | 87.5 | 91.9 | 88.8 | 88.8 | 61 | 60 | 57 | 59 | 58 | 57 |
| | **Average** | **77.8** | **79.3** | **77.7** | **76.4** | **74.9** | **74** | **63.7** | **65.5** | **63.3** | **62.6** | **60.7** | **59.5** |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Mediterranean Market Economies** | France | 97.7 | 97.7 | 98 | 98 | 98 | 98 | 74 | 75 | 69 | 68 | 65 | 66 |
| | Greece | 100 | 100 | 100 | 21.3 | 14.2 | 13.1 | 45 | 40 | 51 | 45 | 52 | 48 |
| | Italy | 100 | 100 | 100 | 100 | 100 | 100 | 61 | 61 | 61 | 61 | 60 | 61 |
| | Spain | 84.8 | 76.8 | 79.4 | 79.6 | 80.1 | 92.1 | 67 | 67 | 69 | 54 | 53 | 67 |
| | Portugal | 81.4 | 87.4 | 83.3 | 77.2 | 78 | 83.3 | 78 | 77 | 75 | 68 | 75 | 83 |
| | Turkey | 12.6 | 10.3 | 6.9 | 6.9 | 8.5 | 12.7 | 0 | 0 | 0 | 0 | 10 | 6 |
| | **Average** | **79.4** | **78.7** | **77.9** | **63.8** | **63.1** | **66.5** | **54.1** | **53.3** | **54.1** | **49.3** | **52.5** | **55.1** |
| **Central and Eastern European Countries** | Poland | 25 | 25 | 18.6 | 17.3 | 13.4 | 11.6 | 50 | 51 | 41 | 36 | 27 | 32 |
| | Czech Rep. | 42.4 | 38.2 | 36 | 34.2 | 34.7 | 43.2 | 53 | 45 | 15 | 15 | 12 | 19 |
| | Slovakia | 52 | 40 | 40 | 24.4 | 24.4 | 27.6 | 12 | 16 | 14 | 13 | 11 | 22 |
| | Hungary | 38.4 | 24.8 | 27.3 | 28.3 | 21.8 | 20.4 | 26 | 22 | 26 | 20 | 12 | 7 |
| | Slovenia | 100 | 100 | 70 | 67.5 | 78.6 | 83.1 | 4 | 4 | 34 | 37 | 49 | 44 |
| | **Average** | **51.5** | **45.6** | **38.3** | **34.3** | **34.5** | **37.1** | **29** | **27.6** | **26** | **24.2** | **22.2** | **24.8** |

**Source:** World Bank, 2020; IMF, 2020; OECD, 2020; ISKUR, 2025; OECD, 2025c; OECD, 2025d

### *Unemployment Benefits*

The Table 3 presents the net replacement rates of unemployment benefits in the VoC. The net replacement rate is defined as the ratio of net income while out of work to net income while in work (OECD, 2015). From this perspective, it can be observed that LMEs are relatively stingy in providing unemployment benefits, whereas CMEs are more generous. As shown in Table 3, the average unemployment benefits values for LMEs were 27.1 in 2000 and 26.5 in 2024, both of which are lower than the corresponding values for CMEs, which were 63.7 in 2000 and 59.5 in 2024. Table 3 also reveals that CEEs and MMEs differ from LMEs in terms of unemployment benefit levels. For instance, CEEs had values of 29 in 2000 and 24.8 in 2024, while MMEs recorded 54.1 and 55.1 for the same years, respectively. Therefore, it is apparent that the earlier generalization suggesting that these countries displayed a liberal tendency in their labour markets should be reconsidered. Although many institutional arrangements show movement in this direction, increases in unemployment benefits in some countries challenge this interpretation, as seen the data presented in Table 3. While 13 of the 25 countries experienced a reduction in unemployment benefits, an increase was observed in eight countries (Ireland, Australia, the Netherlands, Greece, Portugal, Slovakia, Turkey, and Slovenia). Four countries (the United States, Austria, Italy, and Spain) did not show any change. Hence, while Heyes et al. (2012) emphasize liberalization tendencies in national labour markets, the observed increases in unemployment benefits highlight variations in institutional structures, reflecting the existence of different types of capitalisms.

### *Collective Bargaining*

The collective bargaining level refers to negotiations conducted by workers' and employers' representatives regarding employment conditions and wages. Collective bargaining involves not only unionized workers but also other employees. Therefore, the broad scope of collective bargaining enables a wider range of workers to benefit from these negotiations. While a high level of collective bargaining contributes to better labour market performance, it also helps reduce inequalities faced by workers (OECD, 2019: 5).

It is possible to observe from Table 3 that the scope of collective bargaining is low in LMEs, which is consistent with the literature. In fact, the ratio of collective bargaining decreased from 36.8 in 2000 to 30.2 in 2024. Similarly, in CMEs, the average score for collective bargaining declined from 77.8 to 74 over the same period. Even though a decrease is noted in CMEs, their collective bargaining levels remain higher than those of LMEs. In MMEs, the average is higher than that of CEEs for the same years. This supports the observation that

CEEs are gradually approaching LMEs. This convergence highlights the tendency of post-communist countries to align with LMEs and has sparked discussions regarding the neo-liberal trajectory within the EU.

Hence, Table 3 reveals a decrease in collective bargaining coverage in countries. It is noteworthy that this decline coincides with the previously mentioned decrease in unionization rates. Heyes et al. argued that market processes caused these declines, citing Germany as an example in this context. However, while collective bargaining coverage decreased in 15 countries, it increased in eight countries (Sweden, Finland, Belgium, France, Spain, Portugal, Turkey, and the Czech Republic). In two countries (Austria, and Italy), collective bargaining coverage remained unchanged. The coverage levels in both CMEs and MMEs are observed to be higher than those in LMEs and CEEs (Heyes et al., 2012: 15). As seen in the data presented in Table 3, while these trends indicate a movement towards LMEs, they also highlight the persistent differences between countries.

**Table 4: Descriptive Statistics**

| Variable | Obs | Mean | St.Dev. | Min | Max |
|---|---|---|---|---|---|
| **ALL** | | | | | |
| UN | 625 | 7.6 | 4.05 | 2.02 | 27.69 |
| TUD | 625 | 26.91 | 18.15 | 6.3 | 81 |
| EPL | 625 | 2.17 | 0.88 | 0.09 | 4.58 |
| UB | 625 | 45.15 | 23.22 | 0 | 86 |
| CBC | 625 | 57.71 | 32.42 | 5.9 | 100 |
| **LME** | | | | | |
| UN | 150 | 5.94 | 2.18 | 3.3 | 15.45 |
| TUD | 150 | 21.84 | 6.84 | 9.9 | 35.9 |
| EPL | 150 | 1.09 | 0.58 | 0.09 | 1.81 |
| UB | 150 | 29.29 | 12.37 | 7 | 63 |
| CBC | 150 | 32.77 | 15.73 | 11.6 | 64.4 |
| **CME** | | | | | |
| UN | 200 | 5.93 | 2.03 | 2.12 | 11.17 |
| TUD | 200 | 42.68 | 22.91 | 13.8 | 81 |
| EPL | 200 | 2.19 | 0.59 | 1.3 | 3.61 |
| UB | 200 | 62.94 | 14.43 | 33 | 86 |
| CBC | 200 | 76.57 | 25.21 | 15.2 | 100 |
| **MME** | | | | | |
| UN | 150 | 11.26 | 4.75 | 3.81 | 27.69 |
| TUD | 150 | 17.95 | 8.37 | 6.3 | 35.7 |
| EPL | 150 | 2.9 | 0.61 | 1.9 | 4.58 |
| UB | 150 | 52.25 | 25.27 | 0 | 83 |
| CBC | 150 | 71.69 | 35.38 | 5.9 | 100 |
| **CEE** | | | | | |
| UN | 125 | 7.85 | 4.35 | 2.02 | 19.9 |
| TUD | 125 | 18.51 | 8.7 | 7.4 | 47.1 |
| EPL | 125 | 2.56 | 0.56 | 1.5 | 3.64 |
| UB | 125 | 27.18 | 15.06 | 3 | 54 |
| CBC | 125 | 40.67 | 24.78 | 11.6 | 100 |

Source: own elaboration

Table 4 presents various statistics of the variables used in the study, grouped by different types of capitalism and for the entire country sample. An evaluation based on average values shows that the average unemployment rate is low in the LME group, which is characterized by the weak institutional regulations in the labour markets. On the other hand, in CMEs, which are characterized by more rigid labour markets, where unemployment benefits are generous and employment protection legislation is strict, the average value of the unemployment variable is also lower than that of the LME group (Sapir, 2006: 377–378).

Similarly, when the Table 4 is examined, it is observed that the average values of labour market institution variables for the CEEs, which consist of Central and Eastern European countries, are lower compared to the MMEs. In particular, the collapse of the Soviet Union and the introduction of these countries to free market economies are highlighted as key factors contributing to this process. Additionally, the EU accession process of these countries, along with the European Union's gradual adoption of policies diverging from the traditional welfare state model, has also contributed to the flexibilization of labour markets within this group. Although such developments are noted, the fact that the average union density in the CEE group is higher than in the MME group suggests a continuity of past trends, indicating a path dependency in the institutional context. The findings also show that, although the Mediterranean model features strict employment protection legislation (Sapir, 2006: 377–378), its average union density is lower than that of CEEs.

**Table 5: Unemployment Rate in the VoC**

| | | 2000 | 2005 | 2010 | 2015 | 2020 | 2024 |
|---|---|---|---|---|---|---|---|
| Liberal Market Economies | United Kingdom | 5.5 | 4.7 | 7.7 | 5.3 | 4.4 | 4.3 |
| | United States | 3.9 | 5 | 9.6 | 5.2 | 8 | 4 |
| | Ireland | 4.3 | 4.3 | 14.5 | 9.9 | 5.6 | 4.3 |
| | Canada | 6.8 | 6.7 | 8.1 | 6.9 | 9.6 | 6.4 |
| | Australia | 6.2 | 5 | 5.2 | 6 | 6.4 | 4 |
| | New Zealand | 6.1 | 3.8 | 6.5 | 5.4 | 4.5 | 4.8 |
| | **Average** | **5.4** | **4.9** | **8.6** | **6.4** | **6.4** | **4.6** |
| Coordinated Market Economies | Germany | 7.9 | 11.1 | 6.9 | 4.6 | 3.3 | 3.4 |
| | Austria | 4.6 | 5.6 | 4.8 | 5.8 | 5.2 | 5.2 |
| | Sweden | 5.4 | 7.4 | 8.6 | 7.4 | 8.2 | 8.4 |
| | Japan | 4.7 | 4.4 | 5.1 | 3.3 | 2.8 | 2.6 |
| | Netherlands | 2.7 | 5.8 | 4.9 | 6.8 | 3.8 | 3.7 |
| | Belgium | 6.5 | 8.4 | 8.2 | 8.4 | 3.5 | 5.7 |
| | Denmark | 4.4 | 4.8 | 7.7 | 6.2 | 5.6 | 2.9 |
| | Finland | 11.1 | 8.3 | 8.3 | 9.3 | 7.7 | 8.4 |
| | **Average** | **5.9** | **6.9** | **6.8** | **6.4** | **5** | **5** |
| Mediterranean Market Economies | France | 10.2 | 8.8 | 9.2 | 10.3 | 8 | 7.4 |
| | Greece | 11.3 | 10 | 12.7 | 24.9 | 15.8 | 10.1 |
| | Italy | 10.8 | 7.7 | 8.3 | 11.8 | 9.1 | 6.6 |
| | Spain | 13.7 | 9.1 | 19.8 | 22 | 15.5 | 11.3 |
| | Portugal | 3.8 | 7.5 | 10.7 | 12.4 | 6.7 | 6.5 |
| | Turkey | 6.4 | 10.6 | 11.8 | 10.3 | 13.1 | 8.7 |
| | **Average** | **9.3** | **8.9** | **12** | **15.2** | **11.3** | **8.4** |
| Central and Eastern European Countries | Poland | 16.3 | 17.7 | 9.6 | 7.5 | 3.1 | 2.9 |
| | Czech Rep. | 8.7 | 7.9 | 7.2 | 5 | 2.5 | 2.6 |
| | Slovakia | 18.5 | 16.2 | 14.3 | 11.4 | 6.7 | 5.4 |
| | Hungary | 6.5 | 7.1 | 11.1 | 6.8 | 4.2 | 4.5 |
| | Slovenia | 6.9 | 6.5 | 7.2 | 8.9 | 4.9 | 3.7 |
| | **Average** | **11.3** | **11** | **9.8** | **7.9** | **4.2** | **3.8** |

**Source:** World Bank, 2020; IMF, 2020; OECD, 2020; IMF, 2025; OECD, 2025e

## Varieties of Capitalism and Labour Market Outcomes

The claim that labour market institutions are the main cause of unemployment is frequently reiterated. This discourse essentially reflects a neo-liberal perspective and implicity encourages countries to adopt the characteristics of LMEs. However, while countries with strict labour market regulations may have low unemployment rates, higher unemployment rates may be observed in countries with more flexible labour markets, as shown in Table 5. In other words, different types of capitalism can yield successful outcomes (Howell, 2005: 312; Chilosi, 2013: 2). When considering indicators such as inequality and the share of labour in national income, alongside unemployment rates, it becomes evident that some countries outperform LMEs.

### *Unemployment Rate*

As presented in Table 5 above, the average unemployment rate in LMEs rose from 5.4 per cent in 2000 to 6.4 per cent in 2020, after which it declined to 4.6 per cent in 2024. Similarly, in CMEs, the average unemployment rate increased from 5.9 per cent in 2000 to 6.4 per cent in 2015, before declining to 5 per cent in 2024. What is noteworthy here is that the average unemployment rates in CMEs firstly increased and then decreased over the period, mirroring the pattern observed in LMEs. In MMEs, however, the unemployment rate increased continuously from 2000 to 2020, rising from 9.3 per cent to 11.3 per cent. After 2020, the average unemployment rate began to fall, reaching 8.4 percent in 2024. In contrast, CEEs experienced a significant decline in unemployment, with the average rate dropping sharply from 11.3 percent in 2000 to 3.8 percent in 2024.

The economic stagnation caused by the global pandemic also affected unemployment levels. The pandemic period constitutes a multidimensional systemic crisis, as defined by Voyvoda and Yeldan, in which supply, demand, and financial shocks occurred simultaneously. Consequently, these shocks led to economic contraction and an increase in unemployment rates. During this period, income distribution also deteriorated, and poverty intensified alongside social exclusion (Voyvoda and Yeldan, 2020). As shown in Table 5, CMEs performed better than LMEs in 2020. At this point, labour market institutions played a supportive role for the working class. While unemployment benefits provided crucial support to the unemployed, institutional arrangements such as trade unions and employment protection legislation helped prevent employers from dismissing workers easily. These regulations, often criticized for creating rigidity in the labour market, are in fact defining features of CMEs, as previously discussed. Based on the comparison between 2000 and 2020, it is evident that the only two country groups that experienced a decrease in average unemployment rates were CMEs and CEEs. In this context, the differing outcomes of various models in addressing unemployment become more apparent. The positive economic environment following the end of the pandemic has had a beneficial impact on national economies, contributing to declining unemployment rates. From 2020 to 2024, the average unemployment rate decreased in LMEs, MMEs and CEEs. In CMEs, the average unemployment rate remained stable from 2020 to 2024.

**Table 6: Labour Share of Income and the Gini Coefficient in the VoC**

| | | Labour Share of Income | | | | | | Gini Coefficient | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2000 | 2005 | 2010 | 2015 | 2020 | 2024 | 2000 | 2005 | 2010 | 2015 | 2020 | 2024 |
| **Liberal Market Economies** | United Kingdom | 58.5 | 58.4 | 58.6 | 56 | 60.2 | 56.5 | 38.8 | 35.5 | 33.7 | 33.3 | 32.6 | 32 |
| | United States | 61.6 | 60.7 | 58.4 | 58.5 | 59.9 | 56.1 | 40.1 | 41 | 40 | 41.2 | 39.7 | 42 |
| | Ireland | 54 | 53.4 | 54.5 | 35.4 | 32.7 | 33.4 | 33 | 33.8 | 32.3 | 31.8 | 29.2 | 29 |
| | Canada | 60 | 59.5 | 61.3 | 62.3 | 62.1 | 59.6 | 33.4 | 33.6 | 33.6 | 33.7 | 31.7 | 31 |
| | Australia | 59.3 | 58.5 | 55.9 | 57.4 | 55.7 | 54.6 | 33.5 | 33.1 | 34.7 | 34.4 | 34.3 | 34 |
| | New Zealand | 50.9 | 52.2 | 51.9 | 51 | 54 | 54.5 | 36.8 | 36.6 | 33 | 32 | 31 | 32 |
| | **Average** | **57.3** | **57.1** | **56.7** | **53.4** | **54.1** | **52.4** | **35.9** | **35.6** | **34.5** | **34.4** | **33** | **33.3** |
| **Coordinated Market Economies** | Germany | 62.1 | 61.9 | 61.4 | 61.8 | 62.5 | 60.6 | 28.9 | 31.7 | 30.2 | 31.7 | 32.4 | 32 |
| | Austria | 60.7 | 60.8 | 59.2 | 59.7 | 59.6 | 64.8 | 29 | 28.7 | 30.3 | 30.5 | 29.8 | 31 |
| | Sweden | 55.5 | 56 | 53.6 | 55.2 | 55.1 | 51.7 | 27 | 26.8 | 27.7 | 29.2 | 28.9 | 29 |
| | Japan | 53.7 | 54.1 | 54.4 | 52.5 | 56.5 | 53.8 | 40.1 | 44.5 | 43.3 | 43.4 | 43.3 | 32 |
| | Netherlands | 61.7 | 61.9 | 64.4 | 62.2 | 63.9 | 60.1 | 31.1 | 29 | 27.8 | 28.2 | 26 | 27 |
| | Belgium | 64.4 | 64.4 | 65.1 | 63.8 | 63.2 | 64 | 33.1 | 29.3 | 28.4 | 27.7 | 26 | 27 |
| | Denmark | 60.8 | 60.3 | 59.9 | 58.4 | 58.2 | 56.9 | 23.8 | 24.9 | 27.2 | 28.2 | 27.5 | 30 |
| | Finland | 54.9 | 55.5 | 58.9 | 57.6 | 53.7 | 54.3 | 27.2 | 27.6 | 27.7 | 27.1 | 27.1 | 27 |
| | **Average** | **59.2** | **59.3** | **59.6** | **58.9** | **59** | **58.2** | **30** | **30.3** | **30.3** | **30.7** | **30.1** | **29.3** |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Mediterranean Market Economies** | France | 60 | 60.7 | 63.3 | 62.1 | 61 | 60.6 | 32.6 | 29.8 | 33.7 | 32.7 | 30.7 | 32 |
| | Greece | 53.8 | 55.4 | 58 | 52.9 | 59.6 | 52.7 | 34.2 | 34.6 | 34.1 | 36 | 33.6 | 33 |
| | Italy | 57.4 | 57.3 | 58.4 | 57.9 | 56.8 | 58.2 | 35.2 | 33.8 | 34.7 | 35.4 | 35.2 | 34 |
| | Spain | 62.3 | 61.8 | 63.9 | 59.3 | 62.4 | 59.1 | 34.1 | 32.4 | 35.2 | 36.2 | 34.9 | 33 |
| | Portugal | 65.2 | 64.9 | 62 | 54.4 | 59 | 55.9 | 38.8 | 38.5 | 35.8 | 35.5 | 34.7 | 34 |
| | Turkey | 33.6 | 33.2 | 35.2 | 36.6 | 35.5 | 35.4 | 43.5 | 43.5 | 43.5 | 43.5 | 43 | 44 |
| | **Average** | **55.3** | **55.5** | **56.8** | **53.8** | **55.7** | **53.6** | **36.4** | **35.4** | **36.1** | **36.5** | **35.3** | **35** |
| **Central and Eastern European Countries** | Poland | 48.5 | 47.8 | 48.9 | 47.4 | 50.1 | 47.8 | 38 | 35.8 | 33.2 | 31.8 | 28.5 | 28 |
| | Czech Rep. | 52.2 | 51.7 | 54.1 | 51.6 | 57.6 | 55.7 | 28.5 | 26.9 | 26.6 | 25.9 | 26.2 | 26 |
| | Slovakia | 44.8 | 45.4 | 45.6 | 48 | 53.5 | 53.8 | 27.1 | 29.3 | 27.3 | 26.5 | 24.2 | 24 |
| | Hungary | 57.2 | 57.3 | 50.9 | 47.8 | 48.9 | 48.9 | 29.9 | 34.7 | 29.4 | 30.4 | 29.7 | 31 |
| | Slovenia | 57.3 | 57.1 | 60.6 | 58 | 61.3 | 59.8 | 24.8 | 24.6 | 24.9 | 25.4 | 24 | 25 |
| | **Average** | **52** | **51.8** | **52** | **50.5** | **54.2** | **53.2** | **29.6** | **30.2** | **28.2** | **28** | **26.5** | **26.8** |

**Source:** World Bank, 2020; IMF, 2020; OECD, 2020; WID, 2025; Our World in Data, 2025; ILO, 2025

### *Labour Share of Income*

Heyes et al. (2012) argue that the labour share of income has decreased in both LMEs and CMEs (Heyes et al., 2012: 15). However, this statement has certain limitations. When Table 6 is examined, it becomes clear that a key point is missing: the labour share of income in CMEs remains higher than in LMEs. For instance, in 2024, the labour share of income in LMEs was 52.4 per cent, whereas it was 58.2 per cent in CMEs. In MMEs, the figure stood at 53.6 per cent, while in CEEs it was 53.2 per cent. Therefore, although a decline in the labour share of income is observed over time across all country groups except CEEs, the extent of this decline varies. In this regard, institutions such as trade unions, employment protection regulations, and unemployment benefits, which support workers, have mitigated the severity of the decline in CMEs. In other words, the impact of neoliberal policies has been somewhat alleviated in these economies.

### *Inequality*

The Gini coefficient, used to measure inequality between countries, is significant in highlighting disparities among the working population on a national basis. The coefficient ranges from 0 to 1, where 0 indicates perfect equality, 1 represents complete inequality. In this study, it is multiplied by 100 to express values between 0 and 100. Heyes et al. (2012) argued that there is little variation in inequality data among different types of capitalism. They emphasized that inequalities increased in both CMEs and MMEs, suggesting that the countries within these groups were exposed to market forces and consequently began to converge toward LMEs (Heyes et al. 2012: 15). However, the data presented in Table 6 allow for alternative interpretations. For instance, the average Gini coefficients for LMEs was 33.3 in 2024, while for CMEs it was lower, at 29.3. Inequality in CMEs decreased over time, and the average Gini coefficient remains below that of LMEs. This suggests that CMEs experience less inequality; in other words, their performance remains stronger than that of LMEs. In MMEs, the Gini coefficient was 35 in 2024, the highest average rate among the different types of capitalism. Therefore, MMEs continue to exhibit relatively high levels of inequality. Interestingly, CEEs performed better than CMEs, with a Gini coefficient of 26.8 in 2024. Although CEEs have shown signs of neoliberal orientation, their relatively low Gini values suggest that legacy institutional structures, that is, path dependency, may persist in achieving this outcome.

In this context, it has been observed that the Gini coefficient is low in Continental European countries with welfare state practices, while it rises in Anglo-Saxon countries where neoliberal policies are dominant (Çelik, 2004: 64). Çelik (2004) describes this situation as an irony of global inequality. Increasing globalization requires greater public intervention and spending. It has been noted that the openness of economies exposes them to external shocks, and that increased public expenditures are necessary to mitigate these adverse impacts. In this regard, the global market has made it necessary to increase public interventions for income redistribution. This situation further strengthens the redistributive and social role of the state under conditions of globalization (Çelik, 2004: 66).

One of the most important policies for regulating income distribution is taxation. In this context, social justice can be promoted through tax policy. In particular, income tax is considered the most suitable tax for promoting social justice because it can be levied progressively according to the taxpayer's ability to pay, making it the most effective tool for ensuring tax equity. Examining Germany's tax policies, it has been observed that the shares of income tax, taxes on wealth, and taxes on goods and services have decreased, while the share of corporate tax has increased. When Greece's tax policies are evaluated, it is observed that the tax with the largest share of total tax revenue is the tax on goods and services, followed by income tax, taxes on wealth, and corporate tax, respectively (Akça, 2019). Looking at recent income tax policies, it has been observed that the share of income tax in GDP and in total tax revenues has decreased over time in Turkey, while it has increased in Greece. However, the figures for both countries remain below the OECD average. In Germany, on the other hand, performance has been found to be above the OECD average (Akça, 2019). Similarly, in Greece and Turkey, the share of indirect taxes within total tax revenues is higher than that of direct taxes, indicating that the state meets its tax collection needs primarily through indirect taxes. This also reflects a lack of tax equity in these countries. In contrast, in Germany, direct taxes exceed indirect taxes (Akça, 2019).

**Table 7: Descriptive Statistics**

| Variable | Obs | Mean | St. Dev. | Min | Max |
|---|---|---|---|---|---|
| **ALL** | | | | | |
| UN | 625 | 7.6 | 4.05 | 2.02 | 27.69 |
| LSI | 625 | 55.77 | 6.9 | 28.6 | 66.7 |
| Gini | 625 | 32.13 | 5.01 | 23.2 | 44.6 |
| LME | | | | | |
| UN | 150 | 5.94 | 2.18 | 3.3 | 15.45 |
| LSI | 150 | 55.18 | 6.75 | 29.1 | 63.38 |
| Gini | 150 | 34.53 | 3.35 | 29 | 42 |
| CME | | | | | |
| UN | 200 | 5.93 | 2.03 | 2.12 | 11.17 |
| LSI | 200 | 59.11 | 3.72 | 51.7 | 66.7 |
| Gini | 200 | 30.2 | 4.71 | 23.8 | 44.6 |
| MME | | | | | |
| UN | 150 | 11.26 | 4.75 | 3.81 | 27.69 |
| LSI | 150 | 54.96 | 9.53 | 28.6 | 65.25 |
| Gini | 150 | 35.79 | 3.85 | 29.7 | 44 |
| CEE | | | | | |
| UN | 125 | 7.85 | 4.35 | 2.02 | 19.9 |
| LSI | 125 | 52.11 | 4.57 | 44.28 | 61.32 |
| Gini | 125 | 27.95 | 3.54 | 23.2 | 38 |

Source: own elaboration

As seen in Table 7, the LSI in CMEs is higher than in the LMEs. Similarly, the average Gini coefficient is lower in CMEs compared to LMEs (Hall and Soskice, 2001: 16; Soskice, 2005: 171-172). In MMEs, the share of income received by labor is, on average, higher compared to CEEs. On the other hand, when looking at the average Gini coefficient, it is observed that the average in CEE countries is lower than that of MME countries (Lallement, 2011: 638).

## Conclusion

This study aims to evaluate different types of capitalism in the context of labour markets. This evaluation, which focuses specifically on labour market institutions, highlights that different countries have distinct institutional structures. In this context, countries were classified based on their labour market characteristics. This classification was guided by the VoC literature. In terms of labour markets, LMEs and CMEs are described as having flexible and rigid labour markets, respectively. Additionally, Mediterranean and Central and Eastern European countries, as extensions of the VoC literature, have also been included in the classification.

While the hegemony of the neo-liberal approach, which claims that the unemployment problem can be solved by eliminating institutional regulations in labour markets, still persists, evidence from labour market institutions reveals that this understanding is not the only valid one and that different types of capitalism exist. Thus, rather than highlighting only the accomplishments of LMEs, it is important to emphasize that other models of capitalism, shaped by different institutional and historical processes, also achieve successful outcomes. Similar findings are observed when analyzing indicators such as the labour share of income and the Gini coefficient. For instance, labour's share of income is highest in CMEs. In terms of inequality, CEEs and CMEs perform better than LMEs. From this perspective, it can be argued that there are models more successful than LMEs.

Although the expectation that a market-oriented approach would emerge and produce positive results has persisted, it is now evident that alternative models can also yield successful outcomes. Crises and the pandemic have shown that labour market institutions protect the working class during adverse periods, helping them be less affected by the negative impacts. For instance, the importance of labour market institutions in protecting workers was highlighted during the recent pandemic. Specifically, CMEs performed better than LMEs in terms of unemployment trends during this period. This is because existing institutional structures supported workers during difficult times. Unemployment benefits, employment protection legislation, and trade unions all supported employees and ensured they were not left on their own. In other words, institutional structures stood by workers in challenging periods. This support contributed both to ensuring fairness in income distribution and to preventing a rise in unemployment rates. Therefore, contrary to the neo-liberal approach, institutions have not been a source of negative outcomes; on the contrary, they have served as safe havens for workers.

## Genişletilmiş Özet

Ülkeler arasındaki ekonomik ve siyasi kurumsal yapılanmalardaki farklılıklar, siyasal iktisatçıların ilgisini çekmiş ve bu kurumsal farklılığı anlamak için kavramsal yapılarla ilgilenmelerine neden olmuştur. Bu noktada, emek piyasaları ve onun kurumları, söz konusu farklılıkları analiz etme açısından önemli bir çalışma alanı sunmuştur. Diğer bir ifadeyle, emek piyasası kurumları bağlamında farklı ülkelerin farklı kurumsal yapılara sahip olduğu belirtilmiştir. Bu doğrultuda, bazı ülkelerde emekçilerin kurumsal yapılanmalar vasıtasıyla korunduğu, bazı ülkelerde ise bu koruma önlemlerinin zayıf olduğu ifade edilmiştir. Yani emek piyasaları bağlamında farklı kapitalizm türleri değerlendirilmektedir. Bu sınıflandırmanın referans noktası "Kapitalizmin Çeşitleri" literatürüdür. İlgili literatüre göre, koruma önlemlerinin yüksek olduğu ülkelerin dahil olduğu model Eşgüdümlü Piyasa Ekonomileri olarak adlandırılırken, koruma önlemlerinin zayıf olduğu ülkelerin dahil olduğu model Liberal Piyasa Ekonomileri olarak adlandırılmaktadır. Literatüre sonradan eklenen Akdeniz Piyasa Ekonomileri ve Orta ve Doğu Avrupa Piyasa Ekonomileri ile farklı ülke gruplarının da değerlendirilmesi mümkün olmuştur. Emek piyasaları açısından yapılan değerlendirilmelerde esneklik, katılık ve güvenceli esneklik gibi tartışmalar, ülkelerin sınıflandırılmasında temel kriter olmuştur. Ancak, her ne farklı model vurgusu yapılsa da neo-liberalizmin etkisi tüm modellerde gözlenmekte, yani emek piyasaları açısından bir esnekleştirme süreci bütün modellerde izlenmektedir.

Bu bağlamda, liberal modellerin, eşgüdümlü modellere göre emek piyasaları açısından daha iyi performans gösterdiği sıklıkla vurgulanmaktadır. Diğer bir ifadeyle, emek piyasalarındaki kurumsal düzenlemelerin ortadan kaldırılmasıyla işsizlik sorununun çözülebileceği ileri sürülmektedir. Ancak, ortaya çıkan farklı modellerin başarısı, liberal modelin savunduğu esneklik anlayışının emek piyasalarındaki tek gerçeklik olmadığını göstermiştir. Bir başka deyişle, neo-liberalizmin savunduğu emek piyasalarında esnekleşmesinin, işsizlik sorununa yönelik tek geçerli çözüm olmadığı ifade edilmiştir. Nitekim, liberal modelden daha iyi sonuçlar üreten farklı modellerin varlığı açıktır. Bu süreci tanımlarken, ana akım literatür içerisinde ortaya çıkan bu görüşlerin, neo-liberal söyleme karşı bir duruş niteliği taşıdığı söylenebilir.

Bu amaçla, bu çalışmada 25 ülkenin emek piyasası kurumları, Kapitalizmin Çeşitleri literatürü dikkate alınarak incelenmiştir. Sonuçlar, emek piyasalarında esneklik yönünde baskı olduğunu göstermiş; diğer bir ifadeyle Liberal Piyasa Ekonomileri öne çıkarılmıştır. Buna rağmen, farklı modellerin ve kurumsal yapıların varlığını sürdürdüğü ve emek piyasaları bağlamında başarılı sonuçların elde edildiği gözlemlenmiştir. Bir başka ifadeyle, farklı kapitalizm türlerinin emek piyasası performansı açısından farklı sonuçlar ürettiğinin altı çizilmiştir. Örneğin, emek piyasası "katı" olarak adlandırılan ülkelerde daha düşük işsizlik oranları görülürken, emek piyasası "esnek" olan ülkelerde daha yüksek işsizlik oranlarıyla karşılaşılabilmektedir. Yani, kurumsal düzenlemelerin yoğun olduğu, katı emek piyasalarına sahip ülkelerin emek piyasası performansı açısından olumlu gelişmeler gösterdiği gözlenmiştir. Bu da yalnızca emek piyasası esnekliğinin işsizlik oranlarını azaltacağına dair ifadelerin tek gerçek olmadığı, farklı kapitalizm türlerinin de başarılı sonuçlar elde edebileceğini ortaya koymaktadır. Ayrıca, eşitsizlik ve emeğin gelirden aldığı pay gibi göstergelerle yapılan kıyaslamalarda da benzer sonuçların ortaya çıktığı ifade edilmektedir. Emeğin milli gelirden aldığı pay ve gini katsayısı gibi göstergeler analiz edildiğinde benzer sonuçların gözlemlendiği görülmüştür. Örneğin, emekçilerin gelirden aldığı pay, kurumsal yapılanmaların güçlü olduğu eşgüdümlü modelde daha yüksektir. Eşitsizlik açısından ise, diğer modellerin liberal modele kıyasla daha iyi sonuç verdiği görülmüştür. Bir başka ifadeyle, aslında liberal modelden daha başarılı sonuçlar üreten modellerin varlığı açıktır.

Ayrıca, emek piyasası kurumlarının işçileri koruma konusundaki önemi, pandemi süreciyle birlikte yeniden gündeme gelmiştir. Çünkü işsizlik yardımları, istihdam koruma yasaları ve sendikalar gibi kurumsal yapılanmalar, zor zamanlarda emekçilerin yanında olmuştur. Bu nedenle neo-liberal yaklaşımın ifade ettiği gibi kurumlar "kötülüğün kaynağı" değil; aksine, emekçiler için güvenli limanlar olmuştur.

## Beyan

*Çıkar Çatışması Beyanı*

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