

Collective Action, Business Cleavages and the Politics of Control: Segmentalism in the Swiss Skill Formation System

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Abstract

Collective skill formation systems have come under sustained pressure in recent years. Scholars observe a fragmentation process, which is the result of changing power relations, putting large training firms in a dominant position. However, so far the literature has examined neither the role of small firms and intermediary associations nor the source of power of the various business actors. In this case study, we ask: If business is pivotal, but divided, who prevails and why? We find that the availability of credible exit options and the ability to act collectively determines the degree of influence of the various business actors.

1. Introduction

Collective skill formation systems are prime examples of co-ordinated capitalism and have thus attracted much scholarly interest (e.g. Busemeyer 2015; Crouch *et al.* 1999; Culpepper 2003; Hall and Soskice 2001; Streeck and Yamamura 2001; Thelen 2014). Three characteristics distinguish them from other training regimes and make them particularly relevant for scholars of varieties of capitalism (Busemeyer and Trampusch 2012: 14f): First, collective systems are dual systems, where training takes place in both schools and firms. Second, firms and their intermediary associations participate in the financing and administration of training, which presupposes inter-firm co-operation and the ability to act collectively. Third, collective systems provide occupational skills that are portable, certified and standardized beyond the firm level. Hence, collective skill formation systems are based on high levels

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of non-market co-ordination and private interest governance and are thus possibly the best examples of co-ordinated capitalism.

Yet, these systems have come under sustained pressure in recent years due to the deindustrialization, globalization and digitalization of economies. These secular trends have major implications for the skill needs of the labour market. In general, the demand for higher and more general skills is increasing (Baethge and Wolter 2015; Mayer and Solga 2008). Partly as a consequence, the number of training firms has decreased considerably (Culpepper and Thelen 2008). In addition, since firms are differently affected by these trends, the skill demands of firms have become increasingly fragmented.

Various scholars have observed that the content and governance of training increasingly focuses on the needs of large firms in these systems, resulting in a less encompassing and more segmented labour market with limited occupational mobility for employees (Busemeyer 2012; Graf 2018; Thelen 2009). Scholars call this 'segmentalism'. It is argued that small firms increasingly exit from collective skill formation because training becomes too costly for them. In order to motivate the other (larger) firms to remain in the system, the state agrees to their demands for a more fragmented skill formation system. However, by doing so, the collective nature of these skill formation systems is increasingly undermined.

The literature on segmentalism has greatly enhanced our understanding of recent developments in collective skill formation systems, but several questions remain. First, since most of this literature examines the German case, we ask whether this fragmentation can also be observed in other such systems. Second, the literature on collective skill formation systems emphasizes the role of within-business cleavages, in particular with regard to firm size. However, so far the literature on segmentalism has focused mainly on large firms as the drivers of this development. What happens when small firms do not exit from training? And what role, if any, do business intermediary associations play? Finally, we turn to the politics of segmentalism and ask: If business is pivotal, but divided, who prevails and why?

Empirically, we analyse the reform of commercial training in Switzerland, tracing developments from the mid-1980s until today. Switzerland is a prominent example of collective skill formation systems, not least because it is the country with the highest share of youth entering dual apprenticeships (Ryan 2012: 382). At the same time, commercial training is by far the most popular type of apprenticeship in Switzerland (SBFI 2016: 14). Commercial training prepares for administrative and custom-centred activities in diverse fields such as bookkeeping, human resources and marketing. It takes place in a wide range of industries, for example, in banks, in commerce and in the public sector.

Yet, commercial training is a least-likely case for segmentalism. Unlike most other types of training in Switzerland, vocational schools and their association traditionally have had the most influence on the governance of commercial training and not the large manufacturing firms that are typically identified as the drivers of segmentalism. In addition, the firms

participating in commercial training are very heterogeneous, with regard to both size and economic sectors. As a consequence, a large number of business intermediary associations operate in commercial training and small firms, too, play an important role. Nevertheless, as we show in the case study, in the 1990s a reform process was set in motion that fundamentally changed the governance of commercial training. Today, firms and their associations not only participate in the financing but also in the administration of it.

Our analysis reveals that firms with credible exit options and the ability to act collectively through industry-level business associations are the main drivers of segmentalism. However, in the Swiss case, these firms' power was partly kept in check by the agile peak-level association of small- and medium-sized firms, which share the large firms' interest in control of training but have no interest in a fragmented training system. As a result, the reform activity paradoxically led to a collectivization of commercial training in the first phase of the reform with business attacks primarily directed at the role of vocational schools and their association. Only in the second phase of the reform, with the vocational schools out of the picture, could the large firms' preferences prevail at least partly by threatening collective exit, which triggered segmentalism.

Thus, our case shows that collective skill formation systems may maintain their generally collective nature if their supporters, mostly small firms, have the means to force large companies to compromise. These means include strong intermediary business associations and the ability to undermine the credibility of the large firms' exit threat. However, our case also shows that large, internationally oriented firms with collective exit options are in a formidable position to enforce their preference for segmentalism in all collective skill formation systems since they become increasingly dominant. Some elements of segmentalism may thus be unavoidable.

This article is structured as follows. In the next section, we review the literature on segmentalism in collective skill formation systems and argue that the role of small firms and intermediary associations should not be neglected. Subsequently, we discuss businesses' preferences and develop a model to explain whose preferences are likely to prevail in the political process. We then present our empirical case, the reform of commercial training in Switzerland. A final section concludes.

2. Segmentalism in collective skill formation systems

In collective skill formation systems, state agencies, firms, trade unions and business intermediary associations closely co-operate in order to ensure a well-functioning training system. However, scholars have recently observed a *development* of these systems 'towards a less encompassing, more segmentalist orientation, which is organized around internal, rather than national, occupational labour markets and caters increasingly to the specific needs of large training companies' (Thelen and Busemeyer 2012: 71). Importantly, this literature does not argue that collective systems have become almost entirely

dominated by firms, as observed for instance in Japan or South Korea. Rather, the process leads to the fragmentation of collective training systems into an increasing number of parts with limited mobility between them. However, despite this *process* of segmentalism, these training systems remain collective because the commitment and involvement of firms and the state remain high (Busemeyer and Trampusch 2012). Yet, collective action is confined to an increasing number of ever-smaller segments.

Some examples include the 2003 introduction of two-year apprenticeships in the German skill formation system, where the government met the demand of mostly large employers in the manufacturing sector (Busemeyer 2012; Thelen and Busemeyer 2012). The reform was enacted despite the opposition of trade unions and the crafts sector, with the latter fearing that it could no longer make use of apprentices as a cheap workforce. The literature on segmentalism in collective skill formation systems also takes the dual-study programmes in Germany as examples of employers' influence on training (Busemeyer and Thelen 2016; Graf 2018). In these programmes, students are trained in higher education institutions and firms where they gain a Bachelor's degree. Since these programmes do not take place within the traditional collective governance mode of dual training, the typically large firms can influence these programmes directly.

When looking at the causes of these developments, the literature distinguishes between firm-level and system-level explanations. With regard to the latter, researchers have pointed to the secular decline in the training participation of small- and medium-sized firms (Culpepper and Thelen 2008; Thelen 2009, 2014; Thelen and Busemeyer 2012), which has resulted in a considerable lack of apprenticeships in Germany since the mid-1990s (Beicht 2009; Ulrich 2006). This development has strengthened the hand of large firms because the 'state and the unions ... have a fundamental dependence on the co-operation of business in a very concrete case: the provision of sufficient numbers of training slots' (Busemeyer 2012: 696). Hence, in trying to ensure the training participation of the remaining firms, the state has increasingly met the demands of large firms.

The firm-level explanation centres on the question of which types of skills firms want. According to this literature, segmentalism is the result of a decentralization of wage bargaining (Busemeyer and Iversen 2012; Thelen and Busemeyer 2012). In systems where this occurs, wage dispersion is larger and the employment of skilled workers is more expensive compared with the employment of unskilled workers. Therefore, in contrast to centralized wage bargaining systems, firms in decentralized systems refrain from training above their skill needs. This explains why in Germany the collective nature of the skill formation system has increasingly come under pressure since the country has experienced a massive decline in centralized wage bargaining since the mid-1990s (Thelen and Busemeyer 2012: 82ff).¹

The literature on segmentalism in collective skill formation systems has greatly contributed to our understanding of them. Most importantly, the literature shows that business is the 'pivotal actor' (Busemeyer 2012) in

collective skill formation systems because they rely on firms voluntarily offering apprenticeship positions. As a result, business is in a structurally privileged position (Lindblom 1977): Unless firms offer training positions, the system collapses. In addition, the various authors have shown that skill formation systems do not remain stable but react to changes in the labour market and adjacent policy fields. By focusing on the increasing influence of large firms, they have identified a key factor causing institutional change in collective skill formation systems.

However, in order to understand segmentalism in collective skill formation systems better, further research is needed, at least on three respects. First, the existing literature has focused mainly on Germany, which is of course the largest, but it is certainly not the only country with a collective skill formation system. The interesting question is; can segmentalism also be observed in countries with similar systems?

Second, while scholars emphasize the different skill preferences of small and large firms (Culpepper and Thelen 2008), the segmentalism literature has mostly focused on large firms, since it is argued that small firms exit from training. But what about the small firms that do not? Segmentalism is certainly not in their interest; they prefer (collectively provided) occupational skills and cannot invest many resources in training (Culpepper 2007; Culpepper and Thelen 2008; Trampusch 2010a). In addition, segmentalism is not necessarily in the interest of business intermediary associations that profit from a strong collective system, because theirs is an important co-ordinating role (Schmitter and Streeck 1999; Traxler and Huemer 2007). Thus, there is great potential for conflict *within* the business community that has not been addressed yet.

Finally, the mechanisms that explain the dominance of large firms remain rather blurred. Busemeyer (2012) rightly points to the fact that the state is only semi-autonomous vis-à-vis business because of the institutional set-up of collective skill formation systems. However, it remains unclear on what exactly the large firms' power is based, especially when looking at the conflicting preferences within the business community. Put differently, if business is pivotal but divided, who prevails and why?

3. A model of the politics of segmentalism

The literature on segmentalism in collective skill formation systems identifies large firms as the pivotal actors. They can enforce their preference for a more fragmented skill formation system because the state depends on their participation as training firms. However, as we show below, segmentalism can also be observed in cases in which small firms make up an important part of the training firms and in whose administration, historically, business played only a minor role.

Actors and Their Preferences in Swiss Commercial Training

In the case study, we look at the reform of commercial training in Switzerland, which covers 20 per cent of all apprenticeships and is thus by far the

most popular training occupation (SBFI 2016: 14). For two main reasons, commercial training in Switzerland is a least likely case for segmentalism. On the one hand, large manufacturing firms, typically identified as the drivers of segmentalism, were historically not pivotal in Swiss commercial training. Rather, vocational schools and their umbrella association have traditionally had the most influence on commercial training. Since its formation in the late nineteenth century, *KV Schweiz* — a hybrid organization that owned many of the schools providing commercial training, while simultaneously representing the interests of commercial employees (not employers) — was responsible for the governance of commercial training, including examination and certification (Winkler 1973).² Importantly, until the 1980s, training in firms was not relevant for the final exams, thus allowing *KV Schweiz* a disproportionate influence on training content compared with employers. However, as we show below, within 20 years employers managed to change the power relationships in commercial training completely, which is surprising given the strong role of path dependency.

On the other hand, the firms engaged in commercial training are very heterogeneous in terms of size and economic sector and include many small firms. Commercial training is organized in over 20 different industries, each organized in an association (SKKAB 2016a). The one representing the small and domestically oriented training firms is by far the largest (Bundesamt für Statistik 2017). Thus, large firms do not dominate commercial training, but large and small firms take an equal part. The important role of small firms is not specific to commercial training. In Switzerland in general, business is characterized by the contrast between small firms that are mostly active in the domestic market and large, typically export-oriented companies (Bonoli and Mach 2000). The contrast is also mirrored at the level of peak-level employer associations in the division between the Swiss Trade Association (SGV) which typically organizes the former, and the Swiss Employers' Association (SAV) which generally represents the latter (Kriesi and Trechsel 2008: 100ff). Hence, Switzerland, including the commercial occupation, is not only characterized by a large number of multinational firms (Culpepper 2007), but also by exceptionally well-organized small- and medium-sized ones.

This mapping of the actors involved in the governance of training is important because of the range of preferences.³ Large firms can access internal labour markets, which make them emphasize the functional flexibility of their employees (Streeck 1987, 1991). At the same time, they are in need of high levels of skills in order to be able to compete in international markets (Culpepper 2007). To ensure that these needs are met, they demand more firm-specific elements in, and administrative control over, commercial training. This pushes the training system towards more segmentalism.

In contrast, small firms prefer a collective/non-segmentalist skill formation system because this provides them with occupational skills for the external labour market and because it is less costly for individual firms (Culpepper 2007; Thelen 2004; Trampusch 2010a). Occupational mobility, here understood as job mobility within the same occupation but across

economic sectors, is an important issue for small firms because it increases their attractiveness as employers and facilitates the recruitment of skilled workers. In addition, small firms are more cost-sensitive than large ones (Culpepper 2007; Culpepper and Thelen 2008). Thus, small firms profit from a strong collective system and therefore oppose segmentalism.

Next to firms, business intermediary associations are key actors today. The work-based part of commercial training is separated into more than 20 industries, which are governed by different business intermediary associations. These are responsible for the newly introduced industry-level training (so-called inter-company courses) and co-ordinate work-based training. In addition, the two Swiss peak-level employer associations, the SGV and the SAV, are involved in the governance of commercial training as well. While, historically, the peak-level employer associations played no central role, today the two associations, and the SGV in particular, are important in the governance of commercial training.

These numerous intermediary associations are of course not simple transmission belts of their members' preferences. Rather, they are concerned with their organizations' prestige as well as autonomy — from their members and other powerful organizations in their environment (Schmitter and Streeck 1999; Traxler and Huemer 2007). As a consequence, the policy preferences of intermediary associations engaged in the governance of vocational training are also influenced by the logic of organization building, according to which control over commercial training strengthens the respective associations' power and prestige (Trampusch 2010b).

Importantly, the role of these associations is often predicated on the collective nature of commercial training, where they define the training content, develop the curricula and organize vocational education and training (SBFI 2016). In contrast, when these tasks are transferred to individual firms (or small groups of firms), the intermediary associations' control decreases considerably. Therefore, like small firms, intermediary associations are not necessarily interested in segmentalism. However, it should be emphasized that intermediary associations organized at the industry level might support segmentalism at the level of industries, as this development can strengthen their role at the expense of peak-level associations.

Summing up, although business is the pivotal actor in the Swiss skill formation system, there are important divisions within the business community. In commercial training, specifically, a large number of different firms and associations participate in its governance, which is also mirrored in varying preferences. Whereas segmentalism meets the needs of large firms for high and specialized training, small firms and some of the intermediary associations at the industry and national level might oppose this development. Therefore, in order to explain the reforms of Swiss commercial training it is not enough to single out businesses. Rather, one has to look at the power relationships within the business community. If business is divided, who prevails and why?

The Politics of Segmentalism

In order to shed some light on the power relationships within business, we refer to Hirschman (1970) who distinguishes between three possible reactions of business to unsatisfactory situations. Firms either abandon a certain activity ('exit'), formulate their discontent ('voice') or accept the unsatisfactory situation ('loyalty'). Since Hirschman's strategies are not mutually exclusive, we follow Collier *et al.* (2012: 225) and distinguish between two dimensions: (1) loyalty versus exit and (2) collective or non-collective voice.

With regard to the first dimension, the credibility of an exit option depends on the existence of alternatives to the status quo. In the case at hand, this can be a complete abandonment of commercial training or the use of alternative ways of skill formation (e.g. traineeships or the employment of university graduates). Importantly, the credibility of the exit option and the resulting costs for those staying are not set in stone. Rather, the implications of exit are a function of exogenous factors. For instance, while a lack of apprenticeships is likely to increase the power of training firms (Busemeyer 2012), business scandals may weaken the credibility of the exit threat due to reputational costs.

Regarding the second dimension, we maintain that the use of voice must be a collective exercise. In commercial training, numerous firms are involved; only in exceptional circumstances will the exit of a single firm (or the threat thereof) be noticed. Hence, firms need to act collectively to be heard. Importantly, spontaneous collective action is difficult and so the ability to act collectively is greatly facilitated by the presence of an intermediary association (Olson 1965). Industry-level business intermediary associations can assist in organizing and communicating the possible collective exit of firms.⁴ However, it needs to be emphasized once again that these associations are not simple transmission belts of their members' preferences. Hence, whether they encourage or discourage their members' desire to exit is a matter to be addressed empirically.

Consequently, the most powerful firms are those, which have a credible alternative at hand and can mobilize quickly because they are organized in intermediary associations. They can proactively push for institutional change. However, this combination is not without tension. Firms in highly organized sectors will be less likely to threaten their exit since they are tightly integrated in a collective association. Therefore, this combination might occur only in very specific cases in which the exit option is easily available. With regard to commercial training, these cases of powerful challengers can be found in the banking and insurance industries which are big enough to manage their own occupation, are well organized in business intermediary associations and the relevant occupation is their main business. Therefore, it is generally accepted that these firms are able to exit collectively. In addition, their exit would imply high costs for those remaining since they are some of the biggest industries engaged in commercial training (Bundesamt für Statistik 2017).

Firms lacking an organization to represent their collective interest do not have a proactive exit threat at hand, since they are unable to act collectively through an organization. Therefore, their exits are often unorganized and

typically reactive. Nevertheless, these firms are influential because they could exercise an exit option. What is more, their influence increases as the number of firms exiting swells. In this case, the political salience of their demands grows, since their exits are increasingly recognized as system threatening (Culpepper 2011). In this situation, their dissatisfaction is heard. As we show below, the power of reactive exit became visible when small firms appeared to exit in large numbers in response to the first reform of commercial training, which prompted the others involved in the reform process to perceive their exit as a problem.⁵

The presence of business intermediary associations complicates this simple model. As *organizations*, business intermediary associations cannot exit from training because they do not offer apprenticeships. However, they can use their members' exit option in negotiations. In fact, throughout the reform debate, the Swiss Trade Association (SGV) asserted that its members, mostly small- and medium-sized firms, would exit from training if the reform were not in their interest. However, in contrast to the banking and insurance industries, these firms are too small to organize their own training programmes. Rather, their exit would imply the complete abandonment of commercial training. Such an abandonment of training is not in the interest of the SGV, because it would reduce the association's control over commercial training.

In sum, our model of business power suggests that firms with credible exit options and the ability to act collectively are the main drivers of reform. In the case of commercial training, these firms can be found in the banking and insurance industries, although their exit options' credibility, as we show below, varied over time. However, firms are not the only relevant actors. In particular, we expect the power of large firms dominating these industries to be partly kept in check by the influential peak-level association of small- and medium-sized firms, which shares the large firms' interest in control over training but has no interest in an increasingly segmentalist training system. In addition, less well-organized (small) firms can become a powerful force in the reform debate if their individual exits in response to the reforms are increasingly considered system threatening.

4. The reform of commercial training

In order to understand the politics of reform in Swiss commercial training better, we examine the decisive steps of the reform process as well as the actors involved in that process. We systematically collected primary resources such as government documents and position papers of the involved intermediary associations and secondary political science literature as well as literature in the field of business education. In addition, we conducted seventeen interviews with people who were actively participating in the reform process. Most of them were at that time representatives of state agencies and intermediary associations but we also talked with independent experts involved in the reform. The interviews were conducted in 2016 and 2017 in various Swiss

cities (see Appendices A and B for documentation). The interview data were triangulated with the above-mentioned primary and secondary sources and with newspaper articles on the reform of commercial training in Switzerland.

Setting the Reform Process in Motion: A Large Business Coalition for Control Over Training

Historically, commercial training emerged out of a *KV Schweiz* initiative that aimed at educating commercial employees (Winkler 1973). Ever since its creation, *KV Schweiz* remained firmly in charge of developing the content of the apprenticeships (Späni 2011). As it owned most of the relevant vocational schools, the school-based part of commercial training was dominant. In contrast, the training firms played a secondary role in the system's governance. Work-based training was regulated very little as the skills taught in firms were not tested in the final examinations. Commercial training was thus unusual in the Swiss skill formation system because business interest associations did not dominate its governance. Consequently, commercial training was repeatedly criticized for being too distant from the labour market (CH2; CH3; CH10).

Firms in the banking and insurance industries were the ones most discontented with commercial training (CH5; CH6; CH11; CH17). Both industries recruit their workforces primarily from commercial employees, are big enough to organize training by themselves, are characterized by large firms operating on international markets and are supported by strong intermediary associations. As the firms in these industries have a credible exit option at hand, which they repeatedly expressed publicly, these industries are powerful actors in the training system (CH6; CH10; CH11; CH17). They criticized the excessive focus of commercial training on the needs of schools and not on those of the firms. According to them, participating in training was not attractive for firms, because the apprentices did not learn the skills that were required in the labour market. In order to increase attractiveness, firms needed more control over commercial training and training content would have to be adapted to the specific needs of individual firms.

By focusing on the skill needs of individual firms, and in particular large banks and insurance companies, these two industries pushed for a more segmentalist training system. In contrast, other business actors, most importantly the peak-level association of small- and medium-sized firms (SGV), saw reform as a possible way to expand their influence considerably and gain control over commercial training, however, without allowing commercial training to become more segmentalist. In order to gain control, they therefore joined the critique of the banking and insurance industries. Yet, according to one of our interviewees, the banks were the 'real opinion leaders that developed their own suggestions for commercial training' (CH2).

The opposition against the school dominance of commercial training was strengthened by the economic crisis in the early 1990s, which several business leaders and economists used to push their neoliberal agenda (Mach 1999, 2006). The poor condition of the Swiss economy heavily affected the

skill formation system and caused an ‘apprenticeship crisis’ (Gonon and Maurer 2012: 140). Between 1985 and 1995, more than 10,000 apprenticeship positions were lost (Strahm 2008: 5), while the number of apprentices decreased by about 20 per cent (Müller and Schweri 2006: 30). As the most popular form of apprenticeship, commercial training was particularly affected.

The apprenticeship crisis put the responsible state agency, the *Federal Office for Industry, Craft and Labour* (BIGA), later merged into the *Federal Office for Professional Education and Technology* (BBT), under heavy pressure (CH8; CH17). Facing the accusation that ‘the BIGA sleeps’ (CH5; CH6) as well as an increasing number of initiatives from within the parliament and from business intermediary associations and trade unions, the BIGA decided to launch a far-reaching reform of the Swiss Vocational Training Act (Strahm 2008). For this, commercial training constituted the forerunner, since in this field, problem pressure and various reform suggestions had already existed for several years (CH6; Renold *et al.* 2002). Therefore, in 1997, the BIGA created a project to develop a reform proposal for commercial training. However, instead of asking *KV Schweiz*, which was originally responsible for commercial training, to develop a reform proposal, the BIGA put the project management in the hands of outside experts from a large private educational institute. This gave business the opportunity to get more involved in the reform process and ensure that its demands for a stronger labour market orientation of commercial training were met (CH10).

The weak position of *KV Schweiz* cannot be explained solely by the fact that the BIGA wanted to align training content with the firms’ skills needs. *KV Schweiz* was also internally weakened. In the years before the reform process had started, it had lost many of its schools — its main source of power — to the cantons (CH5; CH10). In addition, *KV Schweiz* was paralyzed by the conflict between those who argued that the association should focus on strengthening its schools and those who said that it should focus on its role as the representative of commercial employees (CH2; CH10; CH13). Finally, the BIGA had strongly rejected an earlier reform proposal by *KV Schweiz*, which included measures to increase the quality of training but did not touch the overall governance structure in which *KV Schweiz* remained in charge of commercial training (Bürki 1995). Consequently, when the reform group was constituted in 1997, *KV Schweiz* had little interest in taking the lead once again, since it was not willing to organize a reform of commercial training that would further undermine its role (CH10).

Summing up, constant criticism by the business community set the reform process in motion. According to it, commercial training was too school-dominated. In particular, the banks and insurance companies wanted to have more control over commercial training in order to ensure it met their skill requirements. They openly threatened to use other ways to recruit their workforce (e.g. universities) or to create a new occupation (e.g. commercial banking) if commercial training did not change (CH3). Their exit threat was credible because these firms offer a large number of apprenticeships and

could organize training by themselves. Their exit would have reduced the attractiveness of commercial training considerably, which would not have been in the interest of the small firms that depend on external labour markets for recruitment.

While the primary goal of the banking and insurance industries was to align commercial training to their specific skill needs, thereby leading to segmentalism, the two industries faced a fundamental problem. Since training was primarily in the hands of *KV Schweiz*, they first had to gain control over its governance. They therefore welcomed that the SGV, the peak-level association of small firms, joined the large firms in their criticism of commercial training. The SGV sided with the large firms because it realized that a reform could strengthen its role in this field (CH9). The apprenticeship crisis further strengthened criticism of *KV Schweiz's* domination of commercial training and emphasized the pivotal role of business in the skill formation system.

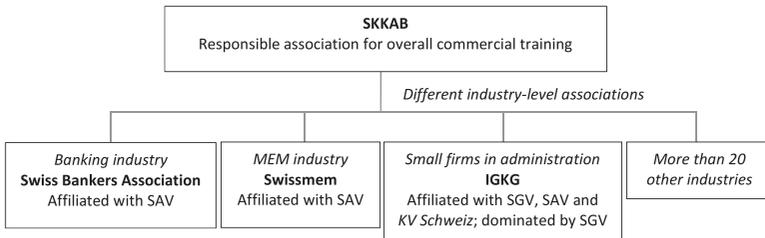
The large firms' exit threat also affected the vocational schools since their survival depended on firms offering enough apprenticeships. *KV Schweiz* was weakened by the incremental loss of its schools (which were bought by the cantons) and internal divisions and was thus unable to position itself against business (CH9). Thus, the coalition of large firms, their industry-level associations and the two peak-level employer associations against *KV Schweiz* and its schools ultimately succeeded in imposing their problem definition. They made the responsible state agency accept that commercial training was simply not sufficiently attractive for firms (Leardini 2002; OECD 2009: 22; Trampusch 2010a).

The 2003 Reform: The Collectivization of Commercial Training

The reform draft that was developed in the project group and agreed by the SGV and the large firms contained three major changes: the development of a new governance mode of commercial training, a stricter regulation of work-based training and the introduction of inter-company courses as part of work-based training.

With regard to the governance structure, a new intermediary association, the SKKAB, was created. It replaced *KV Schweiz* as the responsible body for the curriculum development and the overall steering of the occupation. SKKAB is carried by associations representing the various industries within commercial training (e.g. banking, small firms in administration), which are in turn responsible for the industry-specific part of training (SKKAB 2016a). Figure 1 provides an overview of the new governance structure. Two changes are particularly noteworthy. First, employers dominate most of these industry-level associations. For example, the Swiss Bankers Association, a trade association founded in 1912, represents the banking industry. Within a few years, commercial training thus experienced a complete shift of power from school-dominated to employer-dominated apprenticeships. Second, with the creation of the SKKAB the most important (business) stakeholders meet on a regular basis to discuss the future of commercial training. Hence,

FIGURE 1
Intermediary Associations in Swiss Commercial Training (2003).



through shared responsibilities and regular meetings the SKKAB encourages proponents of segmentalism (e.g. the banking industry) to seek compromises with proponents of more encompassing solutions (e.g. small firms).

For training firms that had not been organized before, mostly small firms operating in the domestic market, the SGV took on a leading role. It saw in the organization of these firms a possibility to increase its influence on commercial training significantly. In addition, representing these firms would provide access to public subsidies and more organizational prestige. As a result, the SGV was instrumental in the creation of a new intermediary association, the IGKG, which represents more than one-third of all apprenticeships in commercial training and is thus the largest industry-level association in commercial training (SKKAB 2016b).

Although the SGV, the SAV (the peak-level association of large firms) and *KV Schweiz* are part of it, the IGKG has always been dominated by the SGV. The SGV provided the first president and the (still active) general manager (CH3; CH13; Hagenbüchle 2002). Most cantonal sections of the IGKG are today in the hands of the SGV (CH9) and due to the close relationship with its administrative office, the SGV is more influential in the IGKG than any of the other members (CH11; CH12; CH13). Thus, with the creation of the IGKG, the SGV gained control over a large part of commercial training. In addition, through its prominent role in the IGKG, the SGV is strongly involved in the SKKAB and therefore in the overall governance of commercial training. Thus, according to one interviewee, the IGKG is a ‘power instrument’ to the SGV (CH5). In this case, the SGV profited from the large business coalition against *KV Schweiz*. In order to ensure control over commercial training, the various business actors joined forces although originally the BBT had wanted *KV Schweiz* to organize these small firms (CH6).

In addition to major changes in the governance structure, the work-based part of training was reformed as well. Before the reform, commercial training mainly focused on vocational schools but work-based training remained largely unregulated. As a consequence, the quality of the latter differed widely between firms (CH3; CH4; CH9). The reform aimed to equalize the training conditions across the country. With the new commercial training regime,

firms were now expected to evaluate their apprentices regularly according to predefined standards (Maurer and Pieneck 2013; Pilz 2007; Trampusch 2010a).

Further, the reform established mandatory inter-company courses in commercial training as part of work-based training. Originally an instrument of the crafts occupations, these courses offer additional work-based training in specialized learning centres. Importantly, in the case of commercial training, they are organized by the different industries and their respective associations. The training firms finance them by contributing a fixed amount of money for each apprentice they send. With the establishment of these courses, the industry-level business associations considerably expanded their influence (CH13). Since these associations have an almost monopolistic position in the operation of the courses, the inter-company courses are a profitable endeavour (CH12; CH13).

Within a few years, commercial training thus experienced a complete shift of power from school dominance to employer dominance, initiated by the banking and insurance industries and based on their threat to abandon commercial training. Thereby, a coalition between small and large firms (including their industry- and peak-level intermediary associations) enabled businesses to gain control over commercial training. Paradoxically, however, this large business coalition led to more inter-firm and inter-industry cooperation, thus causing a further *collectivization* of commercial training. It did not lead to more fragmentation, the large firms' primary goal, because the SGV, the peak-level association of small firms, opposed the segmentalism of commercial training but was needed to wrest control from *KV Schweiz*. As a result, after the reform, the governance of commercial training resembled the governance of vocational education and training in Switzerland's manufacturing and crafts sectors, where business is dominant.

The 2006 Adjustments: Deregulation because of the Reactive Exit of Small Firms

For cost-sensitive small firms, the new regulation of their training activities posed a big problem. Because training had been largely unregulated in these firms before the reform, they lacked the necessary resources and expertise to implement the new regulations (CH9). Therefore, these firms were highly critical and expressed an intention to exit from commercial training (CH6; CH11). At first, the small firms' criticism remained unheard because the apprenticeships they offered were perceived as small in numbers and because the SGV as their main peak-level organization was prominently involved in the reform. This situation changed only when the project group started to implement the reform of commercial training (CH6; CH11). After national media began to pick up on the small firms' criticism in the beginning of 2003 (Cortesi 2003; Hagenbüchle 2002, 2003; Schneebeli 2003), the proponents of the commercial training reform increasingly perceived the opposition of small

firms as a threat to the system (CH6). As one interviewee pointed out, ‘the reform’s success was on a knife’s edge’ (CH11).

The SGV defended the new commercial training regime fiercely and publicly (CH4; Huber 2002; Schweizerische Depeschagentur 2003). Its position is not surprising, because the small firms’ criticism threatened its central role in the new regime. For the first time, business could participate in the curriculum and regulation development of commercial training and through the IGKG the SGV had a significant influence on this. Therefore, the SGV’s quest for control over commercial training was in conflict with its ambition to represent the small firms. Hence, it formed a coalition with the large firms and the responsible state agency to ensure that the reform could be implemented in autumn 2003.

Internally, however, the SGV used the small firms’ criticism to push for an adaptation of the reform. Already before the new regulation was implemented, a second reform group had been created with the aim of evaluating the reform’s success (CH6). This is highly unusual and shows that, although not organized, the small firms’ exit was eventually perceived as threatening the system (Hagenbüchle 2006; Traxler 2005).⁶ Therefore, in 2006, simplifications were introduced in commercial training that freed the work-based part of training of some of the most burdensome regulations (BBT 2008).

The 2012 Reform: Segmentalism Because of the Proactive Exit Threat of Large Firms

The 2003 reform profoundly changed the governance of commercial training. A coalition of small and large firms and their intermediary associations was now in charge of a collective system in which occupational skills were transmitted. However, the large firms, in particular, were still not satisfied with the content of commercial training and their ability to influence it. Specifically, they wanted to increase the proportion of high general skills and their control over school-based training in order to meet the demands of their more complex production processes. As a result, they — once again — openly threatened to establish their own occupation if their requests were not met (CH2; CH3; CH4; Sommerhalder 2011).

Unlike the 2003 reform, the large firms’ renewed demands for reform led to a conflict with the SGV and the small firms. Now that *KV Schweiz* was out of the picture (CH13), the conflicts between small and large firms, in particular about the organization and content of training, could finally break out. For small firms, it was central that commercial training continued to focus on occupational skills and encompass all relevant sectors in order to ensure an attractive commercial training regime with high levels of occupational mobility. The large firms’ request that industry-specific courses should also be part of the school-based training would have undermined this principle (CH7). However, the small firms did not want to edge out large and attractive employers from commercial training and therefore needed to appease their preferences.

In addition, there was also a dispute between the large firms and their intermediary associations, on the one hand, and the responsible state agency, BBT, on the other (CH3; CH6). The BBT was strongly opposed to any major reform of commercial training because it did not want to relive the big disputes of 2003 (CH2) and was concerned that a new reform would destroy its 'masterpiece' (CH4; CH6). That the various interested parties nevertheless agreed on a major reform shows once again how system-threatening a possible exit from commercial training by (large) firms in these very important industries was perceived.

The resulting 2012 reform was a compromise between small and large firms that contained a clear division of responsibilities. It determined that work-based training today is solely organized along industry lines (as demanded by the large firms). There is no common ground for this part of commercial training anymore (Sommerhalder 2011). This holds also for the inter-company courses. The various industries within commercial training are autonomous in defining the content and the length of these courses, which results in very heterogeneous inter-company courses (CH9). For example, with 30 course days, the number of days an apprentice in the banking industry spends in an inter-company course considerably exceeds the obligatory 15 days that are prescribed by the respective ordinance (CH7). The banking industry thus uses these courses to meet its need for higher and more industry-specific skills. Consequently, we see a fragmentation of commercial training along industry lines. As several interviewees noted, occupational mobility within commercial training is today more about marketing than reality (CH6; CH13).

On the other hand, the banking industry (this time supported by the machinery, electronics and metal (MEM) industries) could not totally enforce its preferences for a segmented school-based training. As requested by the small firms, a comprehensive school curriculum across all sectors remained in place. The banking and MEM industries were not successful because the credibility of their exit threat was reduced this time. The MEM industry recruits its workforce mainly from the technical occupations (CH3; CH7) and commercial employees are only an 'additional benefit' (CH6, own translation) to their main workforce, which is why this industry has no primary interest in training commercial employees. In contrast, the banks could not afford further reputational damage after the 2008 financial crisis and the 2008 bailout of UBS, as a bank representative indicated in an interview (CH3). In this delicate situation, risking a standoff over commercial training could have been politically costly. Therefore, the large firms did not manage to enforce their request for a differentiated school-based part of training.

Nevertheless, the various industries within commercial training today have considerable leeway to shape the training according to their firms' needs since they are free to decide about the work-based content. The final diploma indicates the sector in which the apprentice was employed and it is unlikely that a person who was trained within an IGKG firm will later be hired by a bank, even in times of skill shortage (CH6; CH13). Thus, the reforms

since 2003 have fragmented commercial training, in order to meet the skill demands of mostly large firms. This process is likely to continue. The large firms and their associations have already announced that by 2022, they also want to differentiate school-based training along industry lines, thereby essentially dividing commercial training into over 20 different occupations (CH1; CH3; CH4). Only time will tell whether the small firms and their peak-level association can prevent such segmentation.

5. Conclusion

Segmentalism in collective skill formation systems, understood as the increasing focus of the content and governance of training towards the needs of large firms, is not restricted to Germany. Similar developments can be observed in other countries. As our case study has shown, commercial training in Switzerland is now business-dominated and the work-based part of training is entirely organized along industry lines. Compared with the situation before the reforms, occupational mobility within the commercial occupation is severely restricted, while the training content has been adapted to the specific needs of firms, in particular large ones. This is not to say that segmentalism can be observed in all corners of the Swiss training system. Nevertheless, it is revealing that it was possible in such a substantively important and theoretically unlikely case.

Unlike Germany, the secular decline in the training participation of small firms or the decentralization of wage bargaining were not the drivers of segmentalism in Swiss commercial training. Rather, segmentalism was the result of large firms' interest in defining the content of training and their ability to exit collectively from commercial training if they did not get what they wanted. Yet, the reform was not a straightforward, linear process. Although large firms initiated the reform, based on their ability to exit collectively, they soon faced the need of forming a large coalition with others involved, most notably the peak-level association of small firms. In the first phase of the reform, this large business coalition was necessary to gain control over training and to overcome the resistance of the vocational schools and their association. But the newly gained control came at a price: To get the small firms and their peak-level association on board, the large firms had to accept collectivization, rather than segmentation, of commercial training.

However, once the vocational schools were out of the picture, the conflict dynamics changed. In the second phase of the reform, the large firms reiterated their preference for more segmentalism and — once again — threatened to exit the system, while small firms and their peak-level association morphed from attackers into defenders of the status quo. Although exogenous developments weakened the credibility of the exit threat, the large firms and their associations still managed to enforce a reform that transferred the full responsibility for work-based training to over 20 industry-level intermediary associations.

What do these developments imply for the viability of collective skill formation systems? First, segmentalism is not restricted to Germany. Similar developments can be observed in other prominent collective skill formation systems such as Switzerland. What is more, the tendency towards more employer involvement might not be restricted to collective skill formation systems. Rather segmentalism might take place in non-liberal skill formation regimes in general since major socioeconomic trends such as digitalization and globalization increasingly strengthen the structural power of large firms (see Busemeyer and Thelen (2016) for the case of Sweden). Second, even if small firms continue to train and wage bargaining is not being decentralized, segmentalism is still possible due to the structurally privileged position of large firms. Not only are they important providers of training, they are often able to exit collectively. As a result, large firms are typically in the position to enforce their training and governance preferences. Finally, as large, export-oriented firms are increasingly facing highly competitive international markets, their willingness to support constraining regulations decreases, as their ability to exit from these constraints increases. Hence, some elements of segmentalism may be unavoidable. However, as our case study demonstrates, these systems may maintain their generally collective nature if their supporters, typically small firms, have the means to force large firms to compromise. Such means include strong intermediary associations and the ability to undermine the credibility of the large firms' exit threat.

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Notes

1. This firm-level explanation cannot account for the Swiss case because wage bargaining has always been rather decentralized in Switzerland. For this reason, and unlike Germany, wage bargaining and vocational training were never strongly coupled. We therefore focus on the system-level explanation in the remainder of this article.
2. Swiss commercial employees founded *KV Schweiz* in the late nineteenth century in order to promote the knowledge and education of their fellow employees. To further this goal, the association established numerous vocational schools (Winkler 1973).

The hybrid nature of *KV Schweiz* as a school organization and employee association is thus the result of its historical origins.

3. A large body of literature deals with the skill preferences of firms in vocational training (e.g. Culpepper 2007; Culpepper and Thelen 2008; Thelen 2004; Thelen and Busemeyer 2012; Trampusch 2010a). We derive our expectations about business preferences in Swiss commercial training from this literature. However, as we show below, our interview partners have confirmed these assumptions.
4. According to Woll (2014, 2016), the inability to act collectively can also be a source of power for employers because they can credibly claim that they are not able to respond to state demand without the support of a collective association. In our case, however, business asks the state for institutional change and the availability of a collective exit threat determines if challengers can act proactively or only react.
5. The remaining firms have little influence. Although they might also be dissatisfied with the current state of the training system, they cannot exit the system because they lack any credible alternative. If some of them are able to act collectively, they can express their criticism from within the system, but their inability to exit severely weakens their position. ‘Loyal’ companies without the ability to act collectively have — despite their dissatisfaction with the situation — virtually no ability to influence change.
6. In retrospect, the large majority of small firms did not exit from commercial training. A survey conducted between 2003 and 2006 found that 77 per cent of them employed as many apprentices as they did before the reform, 8 per cent employed more and only 15 per cent of the firms employed fewer. Although more cost-intensive, 70 per cent of the firms rated commercial training’s attractiveness as high (BBT 2008: D24f).

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Appendix A: Interviews

- CH1: Independent expert, 26.10.2016, Berne
- CH2: Representative of *SKKAB*, 15.11.2016, Berne
- CH3: Representative of *Swiss Bankers Association*, 28.11.2016, Basel
- CH4: Former representative of *Swissmem*, 29.11.2016, Winterthur
- CH5: Former representative of *Federal Office for Professional Education and Technology (BBT)*, 05.12.2016, Berne
- CH6: Representative of *Swiss State Secretariat for Education, Research and Innovation (SBFI)*, 5.12.2016, Berne
- CH7: Researcher at *Zurich University of Teacher Education*, 07.12.2016, Zurich

- CH8: Former member of parliament, 08.12.2016, telephone interview
- CH9: Representative of *Swiss Trade Association (SGV)*, 09.12.2016, Zurich
- CH10: Former representative of *KV Schweiz*, 12.12.2016, Zug
- CH11: Representative of public administration sector, 15.12.2016, Zurich
- CH12: Representative of *Swiss Employers Association (SAV)*, 15.12.2016, Zurich
- CH13: Representative of a regional section of *KV Schweiz*, 16.12.2016, Schaffhausen
- CH14: Representative of *Swiss Trade Association (SGV)*, 03.08.2017, telephone interview.
- CH15: Former representative of *Federal Office for Professional Education and Technology (BBT)*, 16.08.2017, telephone interview
- CH16: Representative of *Swiss Employers Association (SAV)*, 17.08.2017, Zurich
- CH17: Former representative of *Federal Office for Professional Education and Technology (BBT)*, 12.09.2017, Zurich

Appendix B: Abbreviations

BIGA	Bundesamt für Industrie, Gewerbe und Arbeit	Federal Office for Industry, Gewerbe, and Labour (turned into BBT in 1998)
BBT	Bundesamt für Berufsbildung und Technologie	Federal Office for Professional Education and Technology (turned into SBFI in 2012)
IGKG	Interessengemeinschaft Kaufmännische Grundbildung	Joint venture initial commercial training
KV Schweiz	Kaufmännischer Verband Schweiz	Swiss Association of Commercial Employees
MEM	Maschinen-, Elektro-, und Metallindustrie	Machinery, electronics and metal industries
SAV	Schweizerischer Arbeitgeberverband	Swiss Employers Association
SBFI	Staatssekretariat für Bildung, Forschung und Innovation	Swiss State Secretariat for Education, Research and Innovation
SGV	Schweizerischer Gewerbeverband	Swiss Trade Association
SKKAB	Schweizerische Konferenz Kaufmännischer Ausbildungs und Prüfungsbranchen	Swiss conference for commercial training and examination
