

Three scenarios for industrial relations in Europe

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Abstract. *The author outlines three scenarios for the future of industrial relations in Europe. The first – perhaps the most realistic – projects continuing erosion of national industrial relations systems and conditions of employment, in line with current trends. The second envisages that “elite reform” from above will succeed in re-engineering industrial relations and workers’ protection according to an ideal social policy agenda – an unlikely prospect given the overriding importance of financial considerations and globalized competition. The third scenario centres on a counter-movement from below which presents trade unions with the daunting challenge of mobilizing the discontented far beyond their traditional constituency.*

Prediction is always hazardous. When social scientists attempt to act as prophets, more often than not they are proved wrong. Futurology usually involves extrapolation from past and current trends, on the assumption that the causal dynamics which we identify will sustain their effect. Yet social evolution is not linear, and history does not normally repeat itself. Social trends are complex and contradictory, and we often miss emergent tendencies the force of which becomes apparent only with hindsight. The existence of contradictory social forces creates space for institutional entrepreneurs to shape the future in new directions (Crouch, 2005; Streeck and Thelen, 2005). This, in turn, means that the balance (or imbalance) of social power can be decisive in determining outcomes.

In this contribution I suggest three possible scenarios, consistent with different constellations of strategic initiative and different dynamics of power relations. The first envisages a continuing erosion of institutionalized industrial relations and a consequent continued deterioration in conditions of work and employment. The second involves a process of elite reform from above, establishing an effective transnational regulatory framework to counteract the damaging effects of neoliberal globalization. The third involves a counter-movement from below, through which the victims of neoliberalism constitute themselves as social actors and help shift the current balance of social forces.

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Scenario 1: From bad to worse

My first, pessimistic but perhaps most realistic scenario envisages a continuing erosion of national industrial relations systems. Almost universally across Europe, trade union membership has been in decline (albeit more rapidly in some countries than in others); in many cases, employers' organizations have also been losing affiliates; and while the coverage of collective agreements remains superficially impressive in many (but not all) countries because of a range of institutional reinforcements, the real efficacy of collectively agreed standards is generally far weaker than a couple of decades ago.

These trends have reflected the unravelling of the post-war settlements – what some describe as a Fordist class compromise – which established or consolidated organized industrial relations across western Europe. In all cases, the regulatory regimes involved an accommodation between national labour movements and their interlocutors. Employers were primarily national in terms of corporate ownership and production strategies; they often held the status of “national champions”, and in most countries they were willing to act collectively. Governments were to a large degree autonomous in social and economic policy and encouraged the rise of the Keynesian welfare state. These dynamics were largely self-contained, notwithstanding the efforts of the ILO to establish global regulatory norms, contributing to a marked diversity of national industrial relations models.

These systems of institutional regulation of work and employment have faced two distinct sets of challenges. The first is from above: increasing economic internationalization (globalization) and “free movement” of goods, services, capital and labour, mandated in the European Union (EU) treaties. Major companies are now almost universally transnational in ownership and in their production strategies, with diminishing interest in national institutions of employment regulation (and diminishing willingness to provide the tax revenues necessary to sustain welfare states). Governments profess their inability to resist the dictates of global economic forces, and have indeed surrendered much of their autonomy to international rules facilitating free trade.

The second challenge is from below: the growth in company-specific employment regimes. Two decades ago, Katz (1993) examined the decentralization of collective bargaining across western Europe, involving a shift from multi-employer to company-level agreements. He identified three explanations. First, a shift in bargaining power from unions to employers made the umbrella of strong sectoral regulation less necessary for management; second, changes in technology and work organization could only be effectively negotiated at company or workplace level; third, company structure was itself becoming more complex and decentralized, with separate “profit centres” being required to manage their own operational decisions, including in industrial relations. All three factors have since assumed even greater importance, and the consequences have been, on the one hand, a shift from what Traxler (1995) termed “organized” to “dis-organized” decentralization, and on the other, the hiving off or subcontracting of activities which then escape the web of collective regulation.

Another aspect of the challenge from below is the growth of the so-called “informal economy”. Systems of institutionalized industrial relations were traditionally founded, at least in industrialized countries, on what has often been termed the “standard” employment relationship. Those whose situation was seen as most evidently appropriate for collective organization and representation, and certainly as providing the most favourable support for union recruitment and retention, were employed full time on more or less permanent contractual terms; typically also in larger organizations and in occupations where collective withdrawal of labour could have a persuasive impact. The stereotypical trade unionist possessed “industrial muscle”. The stereotype also represented, in exaggerated form, a reality in which the typical employed worker was male. But the workforce has become, and has been recognized as, increasingly diversified – in terms of gender, ethnicity and (to an important extent, overlapping with these categories) employment status. What was once termed “atypical” employment has become increasingly typical, in particular for new labour market entrants. The “Fordist compromise” involving a trade-off between subordination to management and relative job security with standardized terms of employment (Supiot, 1999) has increasingly given way to fixed-term contracts, agency work, subcontracting, dependent self-employment, and unpaid internships. This has been one cause of growing income inequality and the expanding proportion of the workforce afflicted by no work on the one hand, overwork on the other; by increasingly precarious work; and often by indecent work in its many guises.

While the erosion of regulated industrial relations systems clearly reflects material, structural changes, these are closely linked to political and ideological shifts. The hegemony of neoliberalism (and in particular its embrace within the governing institutions of the EU) entails a rejection of the principles which underlay the various post-war settlements. These might be seen as articulated in the ILO maxim that “labour is not a commodity”. For Polanyi (1944), the rise of industrial capitalism in the nineteenth century had indeed imposed a commodity status on workers, but this precipitated a counter-movement whereby a new framework of rights was established. Subsequently, Esping-Andersen (1990) wrote of “decommodification” in reference to the protection of workers from the vagaries of market forces (and the imbalances of social power which they embodied) through, for example, statutory minimum standards of employment, supports for collective representation and collective bargaining, public provision of education, health care, pensions and income support in time of need. Conversely, more recent developments represent a *recommodification*. This is encouraged by the neoliberal pursuit of “labour market flexibility”, legitimated by claims that established forms of institutional regulation constitute barriers to competitiveness – a concept which encapsulates the notion that “free” markets are both virtuous and inevitable. The economic crisis of the past six years, which objectively demonstrates the bankruptcy of neoliberal prescriptions, has paradoxically left neoliberalism even stronger (Crouch, 2011). The imposition in many countries of radical austerity programmes, involving the elimination of

many of the safety nets which protected the most vulnerable workers, reinforces the dynamic of “from bad to worse”.

What has developed in recent decades has been analysed by McMurtry (1998) as the “cancer stage of capitalism”. Polanyi described labour, land and money as “fictitious commodities” because while they were all subject to market forces, unlike real commodities they were not produced for sale on the market. “To allow the market mechanism to be the sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of their purchasing power, would result in the demolition of society” (Polanyi, 1944, p. 73). And certainly, the post-war compromises imposed firm limits on the commodification of labour, land and money; but Polanyi’s analysis was remarkably prescient. The process which McMurtry describes is the systematic weakening and removal of the social constraints on the destructive dynamic of commodification: a “carcinogenic mutation” which has released the pathological potential which capitalist economies always contained, threatening social and political (but also ecological and economic) cohesion.

The cancer stage of capitalism is linked as both cause and effect to the erosion of the preconditions of post-war social compromises. Globalization – of which European economic integration is one important element – has removed the dominant capitalist agglomerations from national control, and has provided an alibi for anti-social policies by governments that insist that there is no alternative to submission to global markets (Weiss, 1998). Liberalization of financial markets has spawned an array of exotic fictitious commodities which Polanyi could never have imagined: derivatives, secondary markets, hedge funds, private equity, leveraged buyouts.... National economies and national labour markets are increasingly *disembedded* from effective social regulation; and the beneficiaries of financialized “shareholder value” capitalism have little interest in maintaining historic compromises. The balance of class forces has shifted radically. Extrapolation from the past three decades suggests that the situation will only get worse.

Scenario 2: Elite reform

There is no shortage of designs for the reconstruction of a social and economic order in which civilized industrial relations can again flourish, and indeed the ILO has authored many of these (as also have the international trade union organizations). The basic principles for a reconstruction of social regulation were summarized a decade ago by the high-level World Commission on the Social Dimension of Globalization, established by the ILO, namely:

- *A focus on people.* The cornerstone of a fairer globalization lies in meeting the demands of all people for: respect for their rights, cultural identity and autonomy; decent work; and the empowerment of the local communities they live in. Gender equality is essential.
- *A democratic and effective State.* The State must have the capability to manage integration into the global economy, and provide social and economic opportunity and security.

- *Sustainable development.* The quest for a fair globalization must be underpinned by the interdependent and mutually reinforcing pillars of economic development, social development and environmental protection at the local, national, regional and global levels.
- *Productive and equitable markets.* This requires sound institutions to promote opportunity and enterprise in a well-functioning market economy.
- *Fair rules.* The rules of the global economy must offer equitable opportunity and access for all countries and recognize the diversity in national capacities and developmental needs.
- *Globalization with solidarity.* There is a shared responsibility to assist countries and people excluded from or disadvantaged by globalization. Globalization must help to overcome inequality both within and between countries and contribute to the elimination of poverty.
- *Greater accountability to people.* Public and private actors at all levels with power to influence the outcomes of globalization must be democratically accountable for the policies they pursue and the actions they take. They must deliver on their commitments and use their power with respect for others.
- *Deeper partnerships.* Many actors are engaged in the realization of global social and economic goals – international organizations, governments and parliaments, business, labour, civil society and many others. Dialogue and partnership among them are an essential democratic instrument to create a better world.
- *An effective United Nations.* A stronger and more efficient multilateral system is the key instrument to create a democratic, legitimate and coherent framework for globalization (ILO, 2004, pp. ix–x).

This scenario envisages a shift in public policy at both the national and supranational levels, in order to reverse the trend to recommodify labour by reconstructing effective labour standards. This would be linked to a new international financial and economic architecture, which would also complement a “Keynes-plus” policy reorientation by national governments; together with a “green new deal”, enabling a growth model which is employment-rich but not environmentally damaging. Also implicit is public policy support for revitalized collective organization of both capital and labour, leading to reinforced social dialogue and social partnership.

Few students of industrial relations would regard this as anything other than a most desirable scenario; but is it more than a mirage? It makes eminent sense socially, but what are the politics of its economic prescriptions? The underlying if implicit assumption seems to be that the above scenario is so self-evidently reasonable that it can form the basis for a policy-making consensus, irrespective of differences of interest and ideology.

There are three main grounds for scepticism. The first is the continuing policy dominance of the mantra of “competitiveness”, and of the more general recipes of neoliberal ideology. The “market mindset” (Dore, 2004), or what Marx called commodity fetishism, is a powerful distorting filter in public decision-making. Whatever the rhetorical commitment to human-centred goals – as in the continuing lip service within the EU institutions to the ideal of “Social Europe” – financial indicators receive overriding priority (Hyman, 2012). This has been made brutally clear with the interventions of the “Troika” of the

European Commission, European Central Bank and International Monetary Fund, imposing drastic welfare cutbacks, radical reductions in public services, and the elimination of much of the fabric of coordinated collective bargaining (Schulten, 2013).

Second, neoliberalism continues to dominate public policy because it is in the interests of the economically powerful, and their economic power shapes political outcomes (Crouch, 2011). According to Streeck,

open-ended inequality ... gives rise to a characteristic disjuncture between the interests of economic elites in their and their family's personal fortune and in the stability of the economic system as a whole. The greater the gains an individual has managed to appropriate under capitalism's wide-open skies, the more irresponsible he can afford to be with respect to the capitalist system's long-term survival: Whatever happens, his accumulated riches, safely stashed away, will be enough to carry him and his family very comfortably through (2011, p. 150).

The disconnection between the interests of the rich and powerful, on the one hand, and social and economic cohesion and stability, on the other, is indeed one of the symptoms of the cancer stage of capitalism. And incidentally, let us not delude ourselves that this is a simple conflict between the 1 per cent who benefit from financialized neoliberal globalization and the 99 per cent who suffer, comforting as this may be as a mobilizing slogan or Sorelian myth. Gains and losses are always relative, and though only a small minority are cushioned from the crisis, far more are (or believe they are) relatively protected, and more still feel that they are better off sticking with the devil they know.

The third obstacle confronting any project of elite reform is that economic globalization, the dominance of multinational corporations and above all the depredations of irresponsible global finance all demand global solutions. Yet the supranational regulatory architecture is notoriously weak, particularly as regards social and labour standards. Indeed, international institutions possess the capacity to compel the demolition of national regulatory systems in the interests of "free" trade, but they lack both the will and the competence to enforce compensatory social protections at transnational level. Any alternative faces serious collective actor problems: even if national governments (or at least the more powerful amongst them) perceive a need for stronger supranational authority, the modalities of its constitution and the distribution of costs and benefits are likely to inhibit agreement by creating "joint-decision traps" (Scharpf, 1988).

Can these triple obstacles to elite reform be overcome? Not, I am sure, if reform remains an elite project – which leads to my third scenario.

Scenario 3: A new counter-movement

As noted above, Polanyi (1944) interpreted the long-term development of capitalist economies as the outcome of a "double movement". The first, in the nineteenth century, involved the imposition of "free" markets (though the whole idea of free markets is an oxymoron, since all markets are social and political constructs). The damaging social effects of this process, in particular those

transforming labour into a “fictitious commodity” to be hired and fired at will, provoked a counter-movement. Hence the struggles in the twentieth century for social, industrial and economic democracy, which constituted a countervailing process to impose some constraint on the disruptive social consequences of market liberalism. Markets became “embedded” in a systematic regulatory web. As I have suggested, neoliberalism can be regarded as a *third* movement, reversing many of the previous gains for labour. But can reaction to the excesses of neoliberalism generate a *new* counter-movement?

Polanyi did little to analyse the *actors* involved in the original counter-movement; but it is clear from the historical record that while a progressive elite may have played an important role in the design of new protective institutions, their blueprints would have proved sterile but for sustained pressure from below. Ultimately, the force of argument required the complement of the argument of force. Likewise, in an era of neoliberalism, (humane) industrial relations can have a future only through mobilization and struggle. But who are the (potential) collective actors?

Debout, les damnés de la terre? Historically, progressive counter-movements have often involved a revolt of the oppressed. Yet revolt from below is by no means inevitable; and if it occurs, it may be neither coherent nor progressive. While Standing (2011, p. 7) defines the “precariat” as “a distinctive socio-economic group” and “a class-in-the making”, his own analysis identifies multiple ways in which it is possible to be socially and economically precarious. Indeed, when he asks who enters the precariat, he suggests the answer “everybody, actually” (2011, p. 59). In the categories suggested above, the experiences of overwork, no work, precarious work or indecent work have very different social and economic outcomes; there is no objectively given collective interest or common class position. One could indeed argue that the traditional proletariat was always internally differentiated and often divided; creating a class project was a political task, never fully accomplished. In a neoliberal era this is even more clearly the case.

When Standing subtitles his book “the new dangerous class”, it is not because he regards neoliberalism as endangered by its existence. As he writes at the outset (2011, p. 1), the precariat is “prone to listen to ugly voices” and “an incipient political monster”. Again, this is hardly new: twentieth-century fascism drew much of its mass support from the insecure and marginalized, as did right-wing nationalism in the nineteenth century. Yet such political expressions of insecurity are far from inevitable. Standing (2011, p. 19) describes the psychology of the precariat as “anger, anomie, anxiety and alienation”. Anomie and alienation may well result in political withdrawal and passivity. Anxiety may feed right-wing extremism, but may also encourage individualized survival strategies. Anger can fuel activism, but its target depends on who or what is held responsible for the sources of discontent. To complicate matters further, subjective attitudes are rarely fully formed and consistent.

When one’s conception of the world is not critical and coherent but disjointed and episodic, one belongs simultaneously to a multiplicity of mass human groups. The personality is strangely composite: it contains Stone Age elements and

principles of a more advanced science, prejudices from all past phases of history at the local level and intuitions of a future philosophy which will be that of a human race united the world over (Gramsci, 1971, p. 324).

In the language of mobilization theory, the key issue is how personal grievances and discontents are “framed” (Kelly, 1998): how they fit into a broader narrative of the nature of society and economic life. Are deprivations regarded fatalistically, or blamed on other vulnerable groups such as ethnic minorities or migrant workers, or seen as the result of the greed and privileges of the rich and powerful? Is there a vision of a different, and better, way of organizing the economy and the place of work within it? Is there any sense that collective action may achieve this? Such responses do not arise mechanically from objective circumstances: the contradictory character of beliefs and world-views opens many possibilities for selective framing. In this process, organization and leadership can play a decisive role (as seems to be the case, as I review these proofs, with Syriza in Greece).

Historically, a crucial task for trade unions has always been to shape such framing processes in order to build a collective identity and willingness to act. While solidarity is a time-honoured trade union slogan, making it a reality has always been a struggle against considerable odds, never altogether successful. In this sense, the growing proportion of “atypical” workers increases the obstacles to unity, but does not create qualitatively new barriers. Is it possible for unions to mobilize “core” and “periphery”, “insiders” and “outsiders”, in a common resistance to neoliberalism?

Standing, who makes few references to trade unions, clearly does not believe so. Unions “make gestures to the unemployed, to those doing care work and to ‘green’ issues. But whenever there is a clash between the financial interests of their members and social or ecological issues, they will opt for the former. Progressives must stop expecting unions to become something contrary to their functions” (Standing, 2011, p. 168). But unions have no pre-determined “functions”. They have always displayed a “dual character” (Zoll, 1976) or “two faces” (Flanders, 1970): negotiating within the existing socio-economic order, and striving to transform it; representing the immediate interests of a narrow constituency, and fighting for the rights of the vulnerable and excluded. These contradictory perspectives and purposes always coexist; the question is, which is dominant?

In a comparative study of trade unions in western Europe (Gumbrell-McCormick and Hyman, 2013), we found ample evidence of caution, conservatism, preoccupation with the interests of unions’ traditional core constituencies; but equally we found many examples of unions striving for a new vision and fighting to represent the socially and economically marginalized. There is also widespread recognition that we must now understand solidarities in the plural, and that in an era of neoliberal globalization, solidarities must be international. This is an immense challenge, and there is no certainty that actually existing trade unions will succeed; but if they cannot, it is unclear what other collective actors could do so – though certainly, there

are many social initiatives and movements with the vision, hope and enthusiasm which many unions have lost. Acting together, they might even turn the third scenario into reality.

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