Summaries of speakers’ presentations to the *Transfer* conference

Richard Hyman

Outline of presentation to *Transfer* conference, 5 October 2006

1] It is important to include discussion of the welfare state in any analysis of industrial relations. Welfare provision, employment protection legislation and collective bargaining are mutually supporting defences against the ‘commodity status’ of labour. Whatever we understand by the ‘European Social Model’ (and this is an imprecise and contested idea), all three elements are surely central to its definition.

2] Despite some underlying common principles, there are major contrasts between welfare regimes in different European countries. Esping-Andersen has tried to simplify this diversity by specifying ‘three worlds of welfare capitalism’. These reflect different mixes of dependence for welfare support on the market, the family (in practice, often meaning unpaid female domestic labour) and the state. Accordingly, there is not one single European model but many. Nor is there much evidence of convergence towards a single type. We should also note that the ‘European Social Model’ is primarily a west European model; my discussant is far better placed than I am to address its future in the larger EU-25.

3] How and why did welfare states arise? It is important to raise this question before considering current threats to welfare systems and possible trade union responses. Iversen has argued that the welfare state is ‘Janus-faced’. In some respects it is an egalitarian mechanism of redistributing income (and life-chances more broadly) in favour of the less advantaged. This face of the welfare state can be seen as an outcome of the conquest of political democracy and the struggles of the labour movement. But Bismarck was hardly a socialist, and neither was Lloyd George! The other face, argues Iversen, is its efficiency function. In his book he discusses in particular the ways in which protection against the unpredictabilities of the labour market encouraged workers to acquire, and employers to provide, the skills which made for a successful industrial economy. One may add that welfare provision helped maintain social peace, reinforced the legitimacy and cohesion of the nation-state, and helped ensure the supply of healthy recruits to the armed forces (all relevant considerations in the case of Bismarck).

4] I have been asked to discuss the implications of globalisation for European welfare systems. This is not easy, since globalisation is itself such a politically loaded concept. It is clear that exposure to international trade is not in itself an obstacle to generous welfare states: some of the most developed European systems are in small, export-oriented countries. However it is also plausible to argue that the growing de-nationalisation of capital, and increased opportunities for regime shopping, create pressures which may result in ‘welfare dumping’ – at least where corporate taxation is a major source of funding for welfare. To my mind, however, the most important impact of globalisation is ideological: creating a rhetoric and a mindset whereby there is ‘no alternative’ to the demolition, or radical reduction, of the welfare state.

5] At European level the pressures are complex and contradictory. Lisbon declared the need to develop ‘an active and dynamic welfare state’. The adjectives are open to different interpretations,
particularly when linked to the popular catchword of modernisation. I will return to this ambiguity shortly. We should note however that the privatisation of welfare provision – the shift from state to market and/or family (in the process driving women from employment back into the household) – is encouraged by EU competition policy and by the fiscal rigours of Maastricht and the SGP. As Streeck has argued, there are strong pressures to replace ‘protective and redistributive’ with ‘competitive and productive’ solidarity. Neoliberal solutions are particularly attractive to governments faced by demographic shifts and the (partly associated) escalating costs of health care.

6] Modernisation as such is not objectionable. The institutions and principles designed a century or more ago, and consolidated in the process of post-1945 reconstruction, are not necessarily those which progressive trade unionists today should defend at all costs. In at least four respects, reform should be welcome:
- all traditional welfare states were oriented to the ‘male breadwinner’ employee model; women were secondary citizens;
- partly as a corollary, where entitlement is occupation- and employment-based, it is often unsuited (as Supiot has argued) to the more fluid work circumstances of today;
- many welfare states involved in effect the socialisation of charity, with beneficiaries the passive recipients of what a paternalistic state bestowed;
- the operation of the system was typically rigid and bureaucratic, and often inefficient.

However, prescriptions for reform most commonly present one or other form of privatisation as a solution. Trade unions need to develop their own conceptions of modernisation which remain true to the principles of social solidarity while embracing the need to respond to the altered composition, needs and aspirations of working people today. They also need to propose realistic responses to the pensions crisis and to the dilemmas of sustaining a quality public health service.

7] I end with questions of strategy and tactics. First, there needs to be a realistic assessment of the threats to welfare states as we should wish to defend them. Neoliberal conceptions have acquired a degree of legitimacy in European countries which alters the political environment. Nevertheless, Americanisation is still not part of the political mainstream; ‘reform’ is typically incremental and path-dependent. The electoral cycle is shorter than the economic cycle; and as Iversen has argued, in times of employment insecurity the demand for social protection is increased. If trade unions are the main organised defenders of the welfare state, they have many potential allies. To construct an effective alliance to defend the European social model(s), however, three key issues must be addressed:
- in the familiar phrase, trade unions must act – and must be perceived – as a ‘sword of justice’, not as a ‘vested interest’. Unions are stronger among the ‘producers’ of the welfare state – public sector employees – than among the generality of ‘consumers’, and in the old industries rather than the new, where employees often have distinctive interests. They are also typically organisations of older workers, an important consideration when a new inter-generational contract is needed;
- much of the rhetoric which has been adopted in the cause of neoliberal ‘reform’ – modernisation, choice, activation, flexibility – is inherently appealing. Unions need to offer their own distinctive meanings for these ambiguous concepts;
- the welfare state was only partially an achievement of the labour movement, and nowhere did it fully express progressive ideals; to be defended, the welfare state must be redefined and reinvented.
Guy Standing

Labour Re-commodification and the European Social Model or Labour in the Global Transformation: Restructuring Social Income

It is presumed that, broadly speaking, the participants in the Transfer conference share a progressive perspective and are egalitarians in some sense.

The first objective of this presentation is to show that we are indeed in the midst of a global transformation analogous to the Great Transformation traced by Karl Polanyi in his classic 1944 book. In his analysis, the preceding period had been blighted by an unbridled pursuit of a market society, and in the process the economy was ‘disembedded’ from society, resulting in intense inequalities and insecurities. He saw the counter-movement as consisting of systems of regulation, of redistribution and social protection, ‘re-embedding’ the economy. In that context, the ILO had been set up in 1919 to take labour out of international trade and competition.

The European Social Model that arose in the post-1945 era was one geared to the support of industrial citizenship, in which the welfare state rested on a norm of industrial wage labour. We are all familiar with what that entailed.

Since the 1970s, the globalisation era has eroded that model. This presentation is based on the belief that there is no going back and that the so-called Golden Age of the welfare state was no Golden Age at all. A new model is needed, one that rekindles the progressive values of equality, liberty and fraternity.

This secular trinity is the key point, for a progressive vision must capture the language of all three of those themes. We must avoid allowing ‘freedom’ to be championed by the right. We must avoid neglect of fraternity, which stands against the state. We must avoid being on the side of the state paternalists. And we must recognise that for too long trade unionists have been associated, fairly or not, with bureaucratic controls and labouring norms, rather than with progressive visions of work and economic security, or full freedom.

The presentation will consider how labour is being re-commodified globally, and how this is shaping the feasible options for a progressive strategy within 21st Europe. Essentially, what is happening is that, whereas Polanyi’s Great Transformation was about how national labour markets were forged, now we are experiencing the birthpangs of an international labour market system. The challenge of re-embedding is to build appropriate systems of social protection consistent with an open economic system, to find new ways of redistributing income and wealth, and rebuild collective bodies of social solidarity to regulate and ensure the voice security of workers and working communities.

As far as social protection is concerned, far too much attention has been paid by academics to typologies of ‘welfare state regimes’. The common drift has been to selectivity, means-testing, behaviour-testing, privatisation of social protection and social services and paternalistic use of fiscal policy. Seen in the longer-term, unemployment benefit systems

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are dying, and state pensions are dying, shrinking from day to day. The trends are under way all over Europe, and over most of the world.

It is an exaggeration, but not too much of one, to say that ‘globalisation’ is primarily ‘Americanisation’. We may dislike what happens in social and labour market policies over there. But sadly what happens there tends to creep into Europe shortly afterwards.

Obviously, in responding to all that, we must take account of the continuous growth of various forms of labour flexibility. When this author first wrote about the need to mesh flexibility with security back in the early 1980s, three responses were made. The flexibility drive was not acceptable, it would be resisted and it would fail. Two decades later it is still in full force. Now one goes to China and India and policymakers and academics are talking about how they must increase labour market flexibility to raise competitiveness, cut labour ‘rigidities’ and so on. ‘Beggar-my-neighbour’ labour flexibility is the game, along with the pro-individualistic labour market re-regulation, in which labour law is being blended with common law.

Put crudely for the sake of brevity, what is happening is extensive casualisation, extensive contractualisation and extensive informalisation. Some commentators have claimed that stable full-time secure employment remains the norm. It is hard to accept that claim. The key implication of the labour market trends is that the traditional insurance-based social security system is failing. The social solidarity basis of the European model is being eroded. Individualisation and individual employment contracts are spreading, and supranational mechanisms, such as the European Court of Justice, are being used to shape the social policies underpinning the labour market. And governments are allowing private regulators to pressurise policymakers to make pro-market changes to social welfare schemes.

What we have been experiencing is a restructuring of social income. The presentation will use this concept to show that the de-commodifying elements of total income have been eroded across Europe, and that in the restructuring the money share of total social income has tended to rise, at least for workers. The growth of social income inequality is much greater than the growth of income inequality as conventionally measured.

This ultimately is the key to a progressive response. Globally, the balance of power has shifted decisively in favour of capital, and this is reflected in the growing inequality in the functional distribution of income. The changing bargaining strengths of capital and labour are part of the explanation, especially bearing in mind the huge labour surplus in the emerging global labour market and the greater international mobility of capital. But the state has been made more instrumental in this growth of socio-economic inequality, shifting taxation and social protection and regulations in favour of capital, and, perhaps more sinisterly still, shifting the incidence of subsidies in favour of capital.

Ultimately, achieving the Global Transformation successfully, in which the economic system will be re-embedded in society, will depend on a reversal of the great inequalities that have opened up. Paradoxically, success may lie outside the realm of the labour market. But the first task is to put inequality and redistribution back at the centre of public debate, as well as to make sure that they are at the centre of ours.
Franz Traxler

The Role of Collective Bargaining in the European Social Model: Summary

An inclusive bargaining system (i.e. a system covering more than 50% of a country’s total number of employees) is the cornerstone of the European Social Model (ESM). This is because an inclusive bargaining system is the precondition for the viability of the other main elements of the ESM (i.e. the participation of the unions and employer associations in public policy; an inclusive welfare state, co-administered by the social partners; and partnership in the company, based on formalised employee workplace representation). Inclusive bargaining is essential to the ESM, since only a bargaining system, which is so inclusive that its agreements matter in macroeconomic terms, sets an incentive for governments and employers to seek cooperation with the unions on a regular basis. Hence, the question is: What are the preconditions for an inclusive bargaining system? Its key prerequisite is the predominance of multi-employer bargaining, as compared to systems of single-employer bargaining. Single-employer agreements are at odds with an inclusive coverage rate. On the one hand, they set an incentive for the companies to de-recognise the unions in the workplace, so as to get rid of the collective agreement. On the other hand, legal provisions for extending collective agreements to uncovered employers are not applicable to single-employer agreements. This means that the predominance of single-employer bargaining in a country results in an exclusive bargaining system, where only a rather small number of powerful employee groups are able to maintain collective exchange relations with business. All the old EU members but the UK record inclusive bargaining coverage as a consequence of predominant multi-employer bargaining, backed by extension and/or high union density. With the exception of Slovenia, the opposite pattern applies to the new Member States. Hence, two contrasting bargaining regimes divide the enlarged EU. This divide largely reflects the demarcation line between high-wage countries and low-wage countries. This fundamental divide in two contrasting bargaining regimes threatens to undermine the ESM in those countries where it exists; and they also block the development of the Model at supranational level. The only option for the unions to overcome the risks of ‘a race to the bottom’, and to become an actor of macroeconomic importance at European level is a strategy of transnational coordination of the national bargaining systems. The union-led attempts at transnational coordination face three main problems. The first one refers to the scope of transnational coordination. Multi-employer bargaining is an essential precondition for effective bargaining coordination. Under the predominance of single-employer bargaining, sector-level coordination is only possible if there is a strong union presence in a few large companies, such that the collective agreements for these companies set the going rate for the other companies. In many of the new Member States, neither multi-employer bargaining nor such specific preconditions for coordination via key single-employer settlements exist. Second, the spread of economically dependent self-employment and continued bargaining decentralisation threaten to erode the capacities for bargaining coordination in those countries, where these capacities are given. Third, national bargaining coordination designed to moderate wages and to enhance international competitiveness may crowd out transnational coordination efforts to overcome competitive bargaining strategies. Despite these problems effective transnational bargaining coordination is feasible, because such coordination does not require complete inclusion of all countries and sectors. What is rather needed is a critical mass of participating countries in terms of macroeconomic relevance for Europe as a whole. Since inclusive bargaining is the cornerstone of the ESM, the future of the ESM depends on effective transnational coordination of bargaining.

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The welfare state, trade unions and the European Social Model

1. The so-called reforms of the ESM must not mean the dismantling of it.
2. There is no reason to copy the US philosophy of ‘you are on your own’.
3. Tax cuts and the ‘small state’ are against the interests of the employees.
4. Those who come with greenfield investments must not block the creation of trade union organisations. The host governments should ensure this.

Trade unions are considered to be the last obstacle to the complete and unlimited rule of the market. This is why so many different methods are used to minimise their influence. The privatisation of public services, contracting out and outsourcing are among those instruments which make unionisation difficult.

All the representatives of Member States speak loudly about the necessity of protecting the European Social Model and the Lisbon strategy, but in practice very often they follow a completely different path. If you look at the results of the WTO negotiations, the lack of information the parliaments receive about them, the attitude of some of the governments dealing with some of the proposals of the Commission, e.g. on the Working Time Directive, then we, the trade unionists, must be flabbergasted! The practice of some tripartite bodies is in many cases just a masquerade which does not bring results.

Almost all the EU member countries have ratified the majority of the ILO conventions but in practice during the Council meetings they act as if the ILO did not exist. A couple of years ago the proposed Multinational Agreement on Investments (MAI) was refused by France but now we can see that MAI is trying to come back on the scene by the back door. Governments are fighting for spectacular large investments (good for the electoral campaign) and market forces seem to be winning everywhere. The failure to push through the hardcore conventions of the ILO into the WTO statute is a proof of one of our lost battles.

In conclusion I have the following recommendations:
1) The ILO must be more active and the workers’ groups must be more visible. After all, when we tried to influence the WTO they always replied: ‘you have the ILO and its mechanisms for solving violations of conventions’.
2) I see the necessity of creating a regional body of the ICFTU for Europe. This regional body should help the member confederations to fight against violations of trade union rights in their respective countries.
3) An analysis of the reason why young people show so little interest in joining unions is needed. If some of the small NGOs are able to attract young people with their activities then the weakness must lie somewhere within the trade unions.

The above report on the conference and speakers’ summaries, together with the power point presentations of Anna Pollert and Richard Hyman, will also be posted on the Transfer website.

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1 Czech MEP in Socialists Group, European Parliament