

## DISCUSSION FORUM I

### Labour and the global financial crisis

At the 21st SASE Conference in Paris, in July 2009, a group of political economy and industrial relations scholars discussed whether the current legitimization crisis of financial capitalism could be viewed as a turning point for labour internationally. Following are an introduction by the panel organizer, Lucio Baccaro, and revised versions of presentations by Robert Boyer, Colin Crouch, Marino Regini, Paul Marginson, Richard Hyman and Rebecca Gumbrell-McCormick, and Ruth Milkman.

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### Does the global financial crisis mark a turning point for labour?

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At the 21st SASE Conference, held in Paris in July 2009, a group of political economy and industrial relations scholars, all rather friendly towards labour, were asked whether the current legitimization crisis of financial capitalism, combined with a historic political shift in the USA, the world leader—namely with the election of President Obama as well as the Democratic control of both Congress and Senate—and the expectation of an imminent labour law reform that would make it easier for American workers to organize and would presumably be followed by similar regulatory changes in other countries, could be viewed as a turning point for labour internationally. This question was clearly inspired by the ‘optimism of the will’, reflecting back to the Depression and the New Deal, when a similar configuration of circumstances had not just stemmed the tide of union decline, but also led to regulatory reforms which had elevated

the status of trade unions to that of key actors in the political economy of advanced countries.

At the time of writing, at the end of 2009, the question seems considerably less pressing than at the time it was first posed, at the beginning of 2009. The financial crisis of 2008 has *not* led to the discrediting of financial capitalism, nor has it led to fundamental changes in the architecture of global financial institutions. Policy-makers seem more intent on patching-up the old system than on fundamentally changing it. After receiving billions of bail-out money from governments, bankers are once again paying themselves hefty end-of-year bonuses and current talk of taxing these bonuses in some countries, or preventing their payment altogether, is being countered by the usual argument that interfering with market mechanisms regulating the recruitment and retention of 'talent' would have the negative consequence of provoking the migration of said 'talent' to less-regulated countries. Of the prospect of labour law reform in the USA (and elsewhere), the least that can be said is that it is currently simmering on the back burner while the Obama administration deals (uneasily) with the more urgent issue of health care reform. Far from representing an opportunity for labour, the financial crisis has so far dealt it a further blow by provoking massive layoffs in unionized industries like manufacturing and financial services throughout the world. Public sector workers, perhaps the unions' one remaining stronghold, are also being affected, because the need to cover public sector deficits caused by the rescue will lead to cuts in public spending and associated job losses.

It is therefore not surprising that the six contributions gathered in this symposium are really six different ways of answering 'No!' to the question, more or less resoundingly and emphatically. Boyer, Crouch and Regini examine the political economic underpinnings of the current predicament; Marginson, Hyman and Gumbrell-McCormick, and Milkman focus on trade union responses to the crisis. In what follows I provide brief syntheses of each and seek to connect them into what I see as a coherent picture.

Robert Boyer's contribution articulates an international political economic rationale for why one should not expect major changes in labour's fortunes. The argument is familiar (thanks to Boyer's own previous work as well as that of others) but worth rehashing. The class compromise which followed World War II and lasted until the early 1970s appears in retrospect to be the result of a rather unusual configuration of circumstances: capital accepted to share productivity increases with labour; in exchange labour accepted the legitimacy of private property of the means of production and the introduction of scientific forms of work organization. With hindsight, the surprising fact to be explained was not why *labour* would accept the deal, which is what the literature initially focused on (Przeworski and Wallerstein, 1982), but rather why *capital* would do so. Boyer's analysis suggests that it did so because a series of political economic

developments (national dimension of markets, capital controls, countercyclical macroeconomic policies, etc.) temporarily limited its freedom of movement and manoeuvre.

This precarious equilibrium was shaken by the saturation of national markets, which forced firms to search for economies of scale abroad as well as domestically and, associated with it, the elimination of capital controls. The effect was to durably increase the bargaining power of the more mobile factor of production at the expense of the other, a fact which is reflected in the growing rate of return on capital, the generalized decline in the wage share of gross domestic product (GDP), and growing income disparities (IILS, 2008).

Labour was also internally divided by these developments. A first type of split emerged between workers with enduring market power, who were still able to strike rent-sharing deals with their firms, and more dispensable workers whom firms could externalize, sub-contract or simply substitute with imports. The second type of split was in the worker's identity. Simultaneously, a producer, a consumer and a mini-financier—the latter by virtue of his ownership of both real estate assets (typically the worker's home) and a 401K-type pension insurance policy—the worker was a net loser *qua* producer, but a net gainer *qua* consumer, because he had access to cheaper consumer goods manufactured in China and other developing countries; moreover, as a mini-financier he could revel in the seemingly never-ending appreciation of asset values and the novel opportunities for leveraged consumption associated with it.

According to Boyer, this situation contributes to the entrenchment of financial capitalism, and effectively rules out any credible alternative (short of an even more emphatic future crash of financial capitalism, which Boyer thinks is likely), and makes the prospect of fundamental reform a remote one for the time being. Colin Crouch broadens and strengthens this analysis. Relying (like Boyer) on Marxian categories, his contribution adds a 'superstructural' element having to do with the transformation of European social democratic parties.

In Crouch's opinion, the lesson Social Democracy drew from the political economic developments of the last 30 years was that neo-liberalism had a robust rational core which a renewed Social Democracy was supposed to both acknowledge and incorporate (in the sense of the Hegelian *Aufhebung*). The British Labour Party, soon followed by other European parties like the German and the Italian, came to the conclusion that markets were in many respects both more efficient than governments and, if gently supervised and lightly corrected, better apt at preserving the fundamental human value of liberty. This combination of a consequentialist and deontological defence of markets is typical of liberal/conservative thinking (Hayek, 1960; Friedman, 1962). The difference with the liberal tradition was in the stated need for governments to ensure a social floor and, more importantly, in the emphasis on public investment

in human capital development. This was supposed to bring about true equality of opportunity by providing every good-willed citizen with marketable skills. On the basis of this analysis, Social Democratic parties throughout Europe willingly weakened or even severed their historic links with trade unions, increasingly perceived as ‘part of the problem’ rather than of the ‘solution’.

There was, according to Crouch, a factual mistake in New Labour’s analysis—a mistake which the global financial crisis has finally revealed: the remarkable performance of the USA and the UK in the 1990s and 2000s was not the result of market efficiency *per se* as of a particular macro-economic regime in which the combination of lax monetary policy and financial innovation allowed for constantly growing private consumption (in turn stimulated by the expectation of asset appreciation and associated capital gains). However, social democratic parties are now ill-placed to capitalize on the collapse of their former ideological rivals. The crux of the matter is expressed by Crouch in starkly classist terms: while (financial) capital is conscious of its goals and of its strength, and so entrenched in its privileged position (its recent lapses notwithstanding) to be able to first obtain the largest government bailout in the last several decades, and then vociferously demand a return to free markets with no seeming contradiction, labour is weak and divided. To be sure, there is no dearth of *class in itself*, as testified by the millions of unorganized workers throughout the world; what is missing is a *class for itself*, namely a collective actor that could elaborate and implement an alternative. Trade unions have been brought to their knees by the decline of manual industrial work. It is highly unlikely that their plight will improve. No other organized actor is in sight for the time being.

The piece by Marino Regini adds an additional element to this gloomy picture: a shift in the *demand* for trade union representation. Regini argues that not all changes in labour relations are attributable to capital being able to reduce the costs of efficient control over labour, and to labour’s failing to respond in turn. He refers to the work by Piore and Safford (2006) documenting the emergence at the workplace level of new collective identities no longer based on class but on ascriptive traits such as gender, race, ethnicity or sexual orientation. At least in the USA, these new collective identities have been better served by an emerging regulatory regime, emphasizing equality of treatment and opportunity as sanctioned by the law, than by the old one based on collective bargaining. In this respect, not all of the changes of the last 30 years are to be regarded as a regression.

Regini argues that the trend towards ‘individualization’ is not just a prerogative of ‘liberal market economies’ where trade union organizations have always been weaker and less institutionally entrenched than elsewhere. Instead, it is also clearly perceptible in ‘coordinated market economies’ where it manifests itself in the growing tendency of more highly skilled workers to opt out of collective bargaining and rely instead on individual bargaining. These changes

reflect a genuine shift in the preferences of a key portion of the unions' traditional constituency, a shift that is in turn determined by long-lasting changes in the organization of work and in the supply of skills.

With regard to Crouch's point about the absence of a collective actor on whose legs the reformist project could walk, and the difficulty of constructing one, Regini's argument is that trade unions are doomed unless they find ways to win the skilled workers back. Drawing on the arguments of Boyer and Crouch, one could argue that (some) skilled workers are in many respects already lost to the cause, at least if the cause is defined not simply in terms of the unions' organizational health but as the building of an alternative to the current model of financial capitalism. In countries with well-developed capital markets and 'mature' credit systems skilled workers were happy to play 'mini-financiers' while it lasted and it is unclear that they could be mobilized for an alternative project.<sup>1</sup> Perhaps precarious and immigrant workers are better candidates since they have little, if anything, to gain from a rev-up of the *status quo ante*.

The contributions by Paul Marginson, Richard Hyman and Rebecca Gumbrell-McCormick, and Ruth Milkman examine trade union responses to the financial crisis in Europe and in the USA. Marginson documents the emergence of two conflicting trends in Europe. On the one hand, the last few months have seen the rekindling of conflict, including in new, mostly spontaneous, so far largely symbolic, but potentially very dangerous forms, like 'bossnapping,' the (staged) kidnapping of company managers as a form of protest against plant closures in France and Italy. Also, workers have been occupying national landmarks (e.g. the Coliseum in Rome) or threatening to commit suicide to attract public attention. In some cases, the suicides have unfortunately been real.<sup>2</sup> Simultaneously, union-management cooperation agreements have also spread. Companies need to retrench while safeguarding human capital investment in 'core workers'; unions agree to working-time reductions or pay freezes in the hope of preserving jobs; governments step in to soften the social impact of redundancy through shock absorbers (or promise to do so). Marginson refers to these agreements as 'pain-sharing' agreements.

Hyman and Gumbrell-McCormick also focus on Europe. They emphasize both the limitations of a radical strategy of collective mobilization, since such a strategy ultimately needs to come to terms with the workers' short-term interests in job preservation, and the shortcoming of a cooperation strategy (both at the

<sup>1</sup>This point was also forcefully made by another speaker at the SASE meeting: Mark Blyth.

<sup>2</sup>*Corriere della Sera* (2009, August 15) 'Il Colosseo occupato dai vigilantes', Milan, p. 25; *Il Mattino* (2009, September 7) 'Salerno: lavoratori dell'Alcatel barricati in azienda: minacciano di darsi fuoco', Naples; the sad record of suicides in Europe is held by France Telecom, where by October 14, 2009, 24 employees had taken their own lives: *Le Monde* (2009, October 15) 'Nouveau suicide chez France Télécom', Paris.

national and at the enterprise levels), because its expected outcomes are drastically constrained by the paucity of exchange resources. Thus, it looks as if the unions are caught in a double bind.

Hyman and Gumbrell-McCormick's contribution also invites a critical reassessment of the national 'social pacts' of the last 20 years. Social pacts are forms of centralized bargaining in which, differing from corporatism's golden age, there is no clear 'political exchange' compensating unions and workers for their moderation and self-forbearance (Pizzorno, 1978). Union virtue is in many respects a prize to itself. Although they are often presented as evidence of the lack of neo-liberal convergence across countries, at least in my view (and, presumably, in Hyman and Gumbrell-McCormick's view), they are institutional channels through which blunted neo-liberal policies (aiming at real wage moderation, welfare retrenchment and labour market liberalization) are implemented in institutionally dense political economies in which reform by fiat is politically unfeasible (Fraile, 2009). From the point of view of outcomes (e.g. income inequalities and a declining wage share), social pacts are not significantly different from other political economic regimes (Baccaro, 2009).

Hyman and Gumbrell-McCormick's piece documents that social pact negotiations have become more difficult in the aftermath of the financial crisis. This is not surprising: demands for 'sacrifices' from salaried workers probably seem less justified at a time in which bankers and financiers are fully bailed out at the tax-payer's expenses. It should be noted that social pacts are not the only response unions can use, even in the current difficult circumstances. For example, recent work by Traxler *et al.* (2008) suggests that traditional pattern bargaining seems to still achieve positive outcomes for German and Austrian unions.

Milkman's piece focuses on the US situation. Despite the election of a labour-friendly President, the appointment of a sympathetic Secretary of Labor, and the surge of popular outrage at the way in which the financial and other industries have been able to 'socialize' their losses, she argues that 'the future of U.S. unionism appears bleaker than anytime in the past half century'. Passage of the Employee Free Choice Act (EFCA), which should remove many of the legal obstacles preventing workers who want collective representation to first unionize and to then sign a first contract, has been postponed to 2010. Milkman blames union infighting for some of labour's current woes and hangs her hopes for the future on the unions' still considerable political and financial clout, on favourable opinion polls showing that a majority of Americans approve of trade unions *malgré tout*, and on the receptivity of the immigrant population to trade unions. She argues that a union renaissance is possible and that history has already shown that the American unions are able to defy scholarly expectations about their imminent demise. However, she also indicates that there is, at the moment, no sign that such a rebound is likely.

In brief, all contributions to this symposium agree that the unions are in dire straits, and that—optimism of the will notwithstanding—the global financial crisis has done nothing to improve their plight and has possibly worsened it. In my opinion, the problem is not so much one of strategy but of a highly inhospitable international political economic environment combined with long-term structural shifts in workforce composition. If strategy was at stake, one would expect to find that at least in some cases, possibly by sheer chance, unions were getting it right. Instead, the declining trend is visible everywhere: in New Zealand and in Austria, in Germany and in the UK. As argued above, the configuration of circumstances characterizing *les trente glorieuses* turned out to be difficult to reproduce: the internationalization of economic exchanges and the liberalization of financial capital durably shifted the balance of power against labour and divided labour's constituency internally; the ideological transformation of European social democracy forced unions to either accept a blunted form of liberalization or lose relevance. The worst part of this story is that at a time in which financial capitalism goes bankrupt, no organized constituency is out there to push for an alternative.

What can unions do? Customarily, at this point, one deprecates the mismatch between the global scope of markets and the national scope of unions and invites unions to step up efforts at organizing across borders. I will not conclude in these terms, not because I think this is unimportant but because I have lost faith that it is a realistic possibility in the medium-run. Instead, I will point to the urgency of cross-border action of a different kind, not just for unions, but for civil society in general: one aimed at regulating international finance. To use Paul Krugman's words, there is a need to 'make banking boring' again as it once was, so that it 'just' channels capital to firms and households that offer reasonable prospects of being able to return it.<sup>3</sup>

Decisions whether or not to regulate international financial markets, and if so, to what extent, are being taken in these very days by policy-makers with close connections, both personal and systemic, to the actors they should regulate. These decision-makers should feel the breath of society on their necks as they make these crucial decisions. If banking is boring again, we will probably be all better off on average; the unions will too.

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## The collapse of finance but labour remains weak

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Given the depth of the world crisis generated by the collapse of the subprime speculative bubble, the loss of credibility of financial *laissez-faire* and the cynicism of Wall Street and the City, conventional wisdom is prone to conclude that the comeback of the State will also be that of labour. For the time being—summer 2009—such a prognosis is far from being supported by any clear evidence. *De facto*, many reasons oppose the emergence of offensive strategies from labour.

### **1. The bargaining power of workers during the Fordist Golden Age was unprecedented and atypical: it should no longer be the benchmark in the analysis of capital/labour relations**

The dramatic episodes of the interwar period led, after World War II, to a rather surprisingly efficient institutional configuration. The workers exchanged their



acceptance of scientific work organization for a planned increase of wages along with consumer price and productivity. Highly regulated and segmented banking systems directed credit towards investment and consumption. The Bretton-Woods system organized stable international relations that are quite permissive for each domestic growth strategy. Finally, State interventions took full account of the necessity for countercyclical monetary and fiscal policies. In this system, which lasted from the end of the war up to 1971, the Fordist capital/labour compromise was the cornerstone of this quite atypical configuration. It was so wonderful—near full employment, high profits, and cumulative improvements in living standards—that contemporaries thought that it would last forever. Through the 1970s and 1980s, workers unions and leftist parties all over dreamed about a restoration of this model. They believed that it was challenged and eroded only by the re-emergence of *laissez-faire* governments and theorizing. In actuality, deep structural factors had been working against the permanence of this strong position on the part of labour (Boyer, 2005).

## **2. Internationalization and then financialization have progressively transformed the status and bargaining power of labour and they created a major irreversibility**

When the domestic markets appeared too limited to capture the increasing returns to scale that are the core of modern productive systems, firms began increasing their level of insertion into the world market. Up to a certain threshold, growth is constrained by competitiveness alone and not by the dynamism of the domestic market. This is the first stroke against the Fordist compromise: wages are to be set according to the position in the world markets and employment has to react faster given the larger volatility of exports, compared with the relative predictability of consumption. Work organization itself has to cope with this new environment: Just in time, total quality and remuneration in relation to performance are evidence of this structural shift. In theoretical terms, foreign competition is now disciplining labour. When export-led strategies are adopted by New Industrializing Countries, the 'iron law' of capitalism makes an impressive comeback.

But it is not by far the only decisive factor working against the bargaining power of labour. When financial post-World War II regulations are progressively removed, the power of financiers takes off: the multiplicity of innovations—such as pension funds, derivatives, swaps, securitization, etc.—and their diffusion to virtually any country grants them an impressive amount of power in terms of the allocation of capital in search for higher and higher rates of returns—from 5% in the 1960s to nearly 16% in 2000. Here, a paradoxical transformation comes to the fore. The rise of shareholder value was supposed to discipline managers. *De facto*, it is responsible for organizing the divorce of management from labour, as

evidenced by the multiplication of stock-options and the explosion of the remuneration of CEOs and high-level managers far away from that of the average worker. The consequences are drastic for him/her: as soon as profits are announced to be inferior to market expectations, the managers feel legitimized to shed labour, restructure plants, and impose wage concessions. The financial system has become dominant and it imposes its logic on labour, welfare systems and the State, since it enjoys an unchallenged mobility all over the world.

The new configuration is at odds with the Fordist one (Boyer, 2000): expectations about unlimited wealth are governing the allocation of capital to the real economy. All these structural changes play against labour, the more so the more complete the adoption of a finance-led strategy.

### **3. Segmented labour and the split identities of workers, for example, as wage earners, consumers, pension funds holders, real estate speculators and tax payers**

In the epoch of mass production and mass consumption, a complementarity between the various strata within the labour force was created, for instance, via collective agreements, in spite of a permanent deepening of the division of labour. Quite on the contrary, nowadays the decentralization and individualization of labour contracts exacerbate the heterogeneity of labour. Thus, collective action is made very difficult for unions at the national level: if some workers suffer from excessive market flexibility but have little bargaining power, other polyvalent workers may continue to enjoy a significant level of stability via a micro-corporatist compromise, whereas the most talented professionals defend their individual competitive advantage and become ‘entrepreneurs of *themselves*’. One may understand why national collective agreements concerning the core components of the wage labour nexus (Beffa, 1999) have become so difficult and rare at the exception of social-democratic countries.

But there is a much more pernicious evolution occurring within the very identity of labour, as observed in line with the transformation of growth regimes.

- With the opening to the world economy, workers may experience stagnating or even declining real wages but may partially recover a purchasing power associated with price moderation: China becomes the manufacturer of the world and may trigger de-industrialization but sustain—partially—the standards of living of the ‘working poor’. Is not a Walmart accumulation regime operating in the USA? Thus, individuals may loose from foreign competition as *workers* but gain as *consumers*.
- But this is not the only example of a split identity: with pension reforms, each worker must now consider their financial wealth on top of his/her current remuneration. Thus, if wage austerity is promoting higher profits, the surge

of the Stock market might be such that the individuals perceive an improvement in their economic status. They may then go to the bank and apply for credit in order to buy durable goods, cars and houses that they could not afford with their direct wage. In other words, financialization is redesigning the mix of varied worker interests. In the 2000 in the USA, the UK, Ireland and Iceland, such workers have been transforming themselves into typical Ponzi speculators, i.e. buying houses they were unable to pay for with their income alone, but which they hope to resell at an inflated price.

Therefore, the collapse of financial *laissez-faire* means hard times for labour: individuals might lose their homes, their jobs and/or be unable to retire due to the collapse of the stock market and its economic consequences. They might thus have a strong interest in the rapid recovery of credit. Incidentally, a recent poll shows that, in May 2009, 49% of Americans think that Wall Street has had a negative impact upon the economy, but 37% think the opposite (Business Week, 2009).

#### **4. The noticeable resilience of finance: saving the banks has implied saving the bankers as well as their practices and ideologies**

The above data help in understanding a novelty of the subprime crisis: whereas in the Great Depression in the USA from 1929 to 1932, the financiers were wiped out by the New Deal programme, in the subprime crisis they seem to resist quite well the government pressures and efforts to re-regulate their activities.

On the one side, the general population is now realizing the predatory nature of Wall Street at its zenith, but on the other side, some would dream to enjoy again such easy access to credit to sustain their standards of living, access which has negatively been affected by the recession and the restructuring. In a sense, a fraction of wage-earners is ready again to embark on the pursuit of the dream sold by financiers: getting rich quickly without understanding why (Boyer, 2010).

More fundamentally, bankers have argued that they were ‘too big to fail’ and the governments have given absolute priority to the restoration of this core public good, named ‘financial stability’. In other words, the financial sector has put forward a major public concern in order to defend its own quite private interests. Clearly in the USA, the UK and Ireland, labour was only a junior and minor partner of this new alliance between financiers, industrialists, the upper middle class and conservative politicians. The weak power of wage-earners is well captured when one analyses the credits and subsidies granted, respectively, to financiers (Wall Street), industrialists and innovators (Detroit, Silicon Valley), in comparison with households and employees.

In contrast, in countries where an organic conception of the firm prevails—whereby the employees and communities are part of the stakeholders—the

governments may allocate a far larger fraction of anti-crisis programmes to non-financial firms, as done, for instance, in Germany, in order to keep people employed in spite of the economic slow-down. But, of course, such a policy cannot be contemplated in countries where unionization is constantly declining, a huge and probably long-lasting level of unemployment is diffusing the fear of losing one's job and workers organizations are unable to convince the government that the interests of labour are part of the public interest.

### **5. The left has distanced itself from its previous organic links with labour and has married 'social-liberalism'**

Actually, the poor representation of workers' interests in the agenda of political parties adds the final touch—the death kiss—to the poor state of labour in the various strategies discussed for overcoming the financial, structural and global crisis associated with securitization and subprime lending.

Again the contrast with the period of the Golden Age is enlightening. In the past, most social-democratic, socialist and communist parties have developed, *de facto* if not *de jure*, strong connections with labour. The Labour Party in the UK returned to power only after clearing away and severing any link to the exclusive defence of workers, now embracing the ideals of light touch regulations, flexible labour markets, financialization and globalization. *Mutatis mutandis* one could detect, beneath the rhetorical defence of the conventional left, the same attraction of the socialist party in France or the SPD in Germany for this Third Way. Of course, new and small parties are created to continue in the defence of labour, but they rarely have access to governmental political coalitions. Last but not the least, with its collapse, the Soviet Union is no longer there to exert its influence in moderating the temptation of a typical free market economy. Even intellectuals, who used to be the organic allies of labour, are now converted into the advocates and agents of capitalism, since they suppose that there is no alternative (TINA).

Is there any hope for labour? Yes, maybe.

### **6. Labour: be ready for the next financial bubble to burst and for a still more severe economic and social crisis**

The persisting power of the same financial elites and their cynicism may prepare the way for the next speculation based on the explosion of public debt as a guarantee for the recovery of credit. When it bursts, it is probable that the illusion of finance-led growth will finally collapse. There will then be a strong need for a new 'New Deal', not with finance, but one with workers and citizens (Boyer, 2008 and 2009). Socio-economists should now launch an ambitious research programme in order to be ready to make proposals, based on an in-depth knowledge of contemporary complex societies. History endures!

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## The financial crisis a new chance for labour movements? Not yet

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Simultaneous decline in their core constituencies and their ideological bases began to afflict the labour movements of the advanced world from the late 1970 onwards. Varying from country to country, the industrial working class, whose growth had powered these movements for the past century or so, started its historical decline from some point during that decade. The social democratic approach to economic policy, combining a mixed economy with demand management, which had guided centre-left (and to some extent centre-right) politics for the first three decades after World War II, was also in crisis. A free-market, neo-liberal ideology gained a dominating advantage as the inflation crises of the 1970s seemed to discredit Keynesian demand management.

Around 15 years later, the British Labour Party, after having lurched wildly to the left, split and at one point almost disappeared, seemed to have found the answer. The superiority of the market and (not quite the same as the market, though no-one noticed this) giant global corporations had to be accepted as both inevitable and desirable. The task of the centre-left was to gentle the harsh effects of the market on the poorest, and to equip the rest of the population

with education and skills that would enable them to fight successfully for jobs in global competition. This fight would be aided by a Labour government offering a regime of light regulation that would encourage transnational corporations to locate in the UK.

For such objectives, the loss of a core constituency was a blessing in disguise, as the party could free itself of entanglements with groups whose interests might stand in the way of its business-friendly stance. Historical relations with the unions would be weakened. The major social group that was promising (or threatening) to become a new core constituency—public-service employees—was also discouraged. In place of a strong base in sections of the population, the Labour Party sought to secure its electoral strength through a combination of skilful election campaigning, deals with sections of the Conservative press, and donations from wealthy individuals and corporations.

It was a highly successful response. The British Labour Party (or New Labour, as it called itself) won a historically unprecedented series of three consecutive outright election victories, at a time when its sister parties in Europe, and the Democrats in the USA, were experiencing far more varied fortunes. Other labour-based parties, particularly in Germany and in Italy, began to imitate it, and similarly to try to break their links to a centre-left past. German Social Democrats spoke of a *Neue Mitte* (or New Middle). The former Italian Communist Party, which had already changed its name to *Democratici di sinistra* (Democrats of the Left), changed again and dropped *di sinistra*.

British Labour's success was not only electoral. Alone among the larger West European countries, the British saw a rise in labour-force participation, particularly among women, and a generally buoyant economy. There seemed to be a link between the deregulation of the labour market, a policy which New Labour had inherited from its Conservative predecessors and continued, and the change in the economic fortunes of a country that had for decades experienced slower growth than Germany, Italy or France. The UK had been joined in this by the US economy, initially under the Clinton administration, whose New Democrats had very much formed a model for New Labour, but continued under the Neo-Conservative regime of George W. Bush. Free markets, deregulation and the political exclusion of organized labour seemed to work. But when governments in these other countries started to imitate the Anglo-American approach, it did not seem to bring similar returns.

The Anglophone economies had another secret recipe, hiding unnoticed behind, and crucially supporting, the neo-liberal façade. It was called a growing mountain of unsecured credit and housing debt, that was able to go on accumulating because a constantly extending network of secondary markets seemed to be sharing the risk created by such debt, diminishing the exposure to it of any one holder.

How that mountain finally collapsed in 2008 and 2009 is well known and does not need to be explained here. Our task is to point to the political implications of the collapse, and in particular its implications for former labour movements of the British kind. The financial crisis revealed that the UK and US economies had not been based on the triumph of the free market and the subjection of labour to its discipline, but to a corruption of the market that had enabled people to ignore tough labour market conditions by living on unsecured credit on houses and, to a lesser extent, credit cards. The market had been corrupted because, whereas the functioning of markets depends heavily on market players having high-quality information, the secondary markets in unsecured debt depended on traders not knowing what was in the packages that they were buying and selling.

Therefore, one might think: 30 years of social democratic economic policy ended in an inflationary crisis and the consequent success of its political rival, neo-liberalism. Therefore, 30 years of neo-liberal policy ending in a far bigger financial crisis ought to lead to the success of its rival. But what is its rival?

The answer to this question is not primarily, as it is often considered to be, a matter of ideas and policies. There is no real dearth of these. Nearly every political force that seeks seriously to govern has had in recent years to dress itself in neo-liberal clothes. This has been required by transnational corporations and banks seeking locations for investment, as well as by the unquestioned orthodoxy that until very recently has governed institutions such as the International Monetary Fund, the Organization for Economic Co-operation and Development, and increasingly the European Commission. But behind the formal obeisance other political approaches have been continuing, in a furtive, almost *samizdat* way. The most successful economies in the advanced world, the Nordics, continue to have the world's largest welfare states, powerful labour movements and even elements of neo-corporatist demand management. They, the Dutch, and indeed the British have maintained strong levels of public spending, which have made major contributions to producing and sustaining high levels of employment.

As stated at the outset, the crisis that afflicted labour movements in the 1970s was a double one: a failure of a dominant economic policy approach and the historical decline of a core support base, the industrial working class. We can now add the fact that this decline was taking place just as a rising new class was beginning to flex its muscles: the class of global, short-term-oriented capital.

Karl Marx pointed out how major movements of historical change were borne along by classes that embodied the interests represented by the new wave. It is possible to see the rise of the manual working class from the mid-nineteenth to the late-twentieth centuries as having been such a phenomenon. To accommodate the power and weight of that class, the shape of the polity was transformed,

the tasks of government completely changed, among them the size and nature of public spending and the character of law and regulation. Where Marx was wrong was in seeing that class as the final culmination of the process of successive change. The manual working class reached its peak and then declined. Contemporary Marxists will point out that it is only the industrial working class in existing developed countries that has declined; the *global* industrial working class is today bigger than it has ever been. But working classes have never been able to organize themselves (that is, in Marx's terminology, to become *Klassen für sich* and not just *Klassen an sich*) at levels above the nation state. The global working class does not exist as a global, or even as a European, entity. This is the advantage of the global financial class. It can and does operate globally, and that was how and why it was able to move into such a dominant position.

It also explains why it remains in such a position now. The near-collapse of the financial system has not dislodged global finance from the strategic role that it occupies in the world economy. It has therefore been able to successfully demand state support of a size that no other economic sector can demand. The fact that the offer of such state support breaks all the rules of neo-liberal economy and polity only demonstrates further the subsidiary role of ideas and ideologies in the maintenance of regimes.

The financial crisis, therefore, does not herald an historic opportunity for labour, because nothing has happened that enhances the power of an entity called labour; indeed, very little has been done to define, politically and organizationally, what might constitute that entity in the post-industrial world. Meanwhile, the identity and power of global financial capital are very precisely known and very real.

Would things have been any different had centre-left parties not followed the New Labour path, and instead of suppressing any nascent, distinctive core constituencies, had actually tried to cultivate these? To expect them to have done this is to misunderstand the place of parties within highly developed, heavily managed democratic political systems. Party organizations that are fit to compete in such systems are necessarily run by top-down control freaks; any that depart from that frame court rapid defeat. There is no way that such organizations can risk responding to autonomous, bottom-up, potentially unruly and unknown identities that might offer to transform the political scene. To find any challenges to existing power arrangements one must look outside official electoral politics among the marginal, weak social movements that are gathering within all open societies. None of these are anywhere near offering the kind of challenge necessary to altering the basic framework of power in our societies. But they exist. In the groups that were welded together to produce a renewed Democratic Party around the election of Barak Obama as president of the USA, we see the first major stirrings of these movements. That is the space to watch for future developments.



## The increasing individualization of work and labour

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The question addressed in the roundtable assumes that we can give a clear and shared answer to another question: how can we characterize the stage of capitalist development over the last 30 years, the one that eventually led to the financial crisis?

The most common way to describe this stage of development, or this type of political economy, is ‘generalized de-regulation and belief in self-regulated markets’. In spite of the success enjoyed by ‘varieties of capitalism’ theories (Hall and Soskice, 2001) and of several attempts to highlight different national trajectories (Regini, 2000), this view is still largely dominant. In fact, it captures very deep trends that underlie any varieties or different trajectories of development.

An alternative way to capture the general trends that have characterized advanced political economies in the last 30 years is what Crouch (2008) has recently called ‘privatized Keynesianism’ which he described in the following terms: ‘Under original Keynesianism it was governments that took on debt to stimulate the economy. Under the privatised form individuals, particularly poor ones, took on that role by incurring debt on the market’ (p. 1).

The two views are not contradictory, of course, but their focus is different and they have somewhat contradictory implications. The latter view focuses on the positive role of sustaining aggregate demand and growth. In this way it implicitly explains the de-radicalization of class conflict during the last 30 years, especially in liberal market economies; but it also sets an opportunity for this trend to dramatically change following the recent crisis. Labour, after all, shared the benefits of growth, but if continuous and fast growth comes to a permanent end, distributive conflicts may become harsher.

The former view—generalized de-regulation—focuses, on the other hand, on the more permanent consequences of the retrenchment of the state and interest associations in the regulation of market economies. Labour, in this view, has effectively been disorganized, diversified and individualized. ‘Precarization’ and de-collectivization have been accompanied by new forms of identity that will remain as a permanent marker, even after the crisis has been overcome.

Whatever view we find best suited to understand the past stage of capitalist development, we should be alerted to longer term trends that cannot be

divided into different phases: they were present, to some extent, before de-regulation or privatized Keynesianism began, and they will endure even after the current crisis has come to an end. In other words, such trends as tertiarization, structural differentiation of economic organization and individualization of working and living conditions will persist and continue to produce the same effects on Labour as before. It is mainly to these effects that we should look to answer the question addressed by this roundtable.

To give just an important example of a longer term trend that has had a major impact on the traditional role of Labour, we may refer to a work by Piore and Safford (2006). They argue that the boundaries between economy and society have become increasingly porous and that the work is no longer an activity clearly defined and separate from others. Structural inequalities no longer stem predominantly from the position in the division of labour. New collective actors have emerged based on social rather than economic identities, such as gender, race, ethnicity, age, handicap, sexual orientation. This is, of course, nothing really new. What has gone relatively unnoticed, however, is that these collective actors that become organized in the workplaces and then succeed in forcing governments to enact laws that can be directly applied there, take on functions once typical of trade unions.

One may argue about the actual impact of such trends on Labour. But, whatever their impact, these trends are totally unrelated to the traditional issues of economic regulation. And, whatever the duration and the effects of the current financial crisis, they are presumably here to stay.

In the USA, the project to de-radicalize class conflict by building a large middle class imbued with individualistic values has been pursued for a long time and has proved largely successful. In Europe, on the other hand, social regulation and integration have followed a different strategy, usually called ‘institutionalization of class conflict’. Such industrial relations institutions, composed of large encompassing interest associations, and characterized by collective bargaining and tripartite concertation, have played a major role in this institutionalization process, functioning best during the Keynesian–Fordist era.

However, in the last 30 years or so, work and labour have also been individualized to a large extent in Western Europe. Such individualization is largely a consequence of the structural re-organization of the production of goods and services and of a deep and permanent change in the configuration of the traditional actors—employers and workers—much more so than in their power relations.

Several country studies, as well as much of the comparative research in political economy and industrial relations, do not suggest a consistent trend *away from negotiation*—a method that prevailed historically because it relied on joint decision-making to overcome the problems of legitimacy and efficiency that

arose in workplaces as well as in several areas of economic policy. On the other hand, they show a de-collectivization of bargaining and a diffusion of different forms of negotiation. In other words, they suggest a trend *away from the traditional collective dimension* of bargaining. More generally, they describe a movement away from the unchallenged primacy of the collective representation of interests and of collective action, towards a far greater role played by both individual and institutional actors in the overall process of interest intermediation.<sup>1</sup>

For instance, we know that several countries have experienced a growth in individual (or small-group) ways to regulate the employment relation at the expense of collective bargaining. In some cases, we now have *à-la-carte* systems that allow employees to opt for either collective agreements or individual contracts. According to these schemes, they can customize the type of protection they want to enjoy during a given period of time.

The decline of collective action has often more to do with the relative increase in the number of employees with high market power than with a willingness of employers to restore unilateral action. Individual or small-group bargaining has always been an attractive (at least to employers) option to contract, organize and reward work. But the asymmetry of power in the labour market and in the workplace had long made collective bargaining the preferred method for workers to articulate their demands, while employers could see it as an efficient way to aggregate demands and to provide aggregate solutions. That is, even employers often preferred collective bargaining, as a method to issue predictable regulatory standards and to share responsibility for their enforcement with trade unions.

If the trend in employment relations has, for a long time, been a movement away from collective action and towards individual or small-group bargaining, this means that both the employers' and significant groups of employees' preferences have shifted—or at least that their perceptions of the costs and benefits of the traditional method have changed. In other words, the decline of collective bargaining and the corresponding rise in individual bargaining on various aspects of the work relationship has not been simply forced by employers on reluctant workers, whose willingness to organize collectively is supposedly frustrated by an authoritarian management. A growing number of employees with high market power are tempted to defect from collective action, which is especially suited to regulate work in aggregate, uniform ways.

This has important implications. In fact, those analysts who assume a massive return to unilateral authority in the regulation of work indirectly provide justification for merely defensive reactions by organized Labour—namely, reactions based on mobilization as a means to strengthen identity and to increase its

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<sup>1</sup>This section draws on Regini (2003).

capacity for interest representation. But the decreasing relevance of the traditional collective dimension in industrial relations cannot be halted by trade unions that focus on such defensive reactions against the supposed attack by management on Labour. The greatest threat faced by organized Labour in advanced economies is the widening gap between its traditional strategies and the interests and demands of the core sectors—those of the more highly skilled, and the employees with greater market power in general. Hence, trade unions can only hope to reverse the de-collectivization of bargaining if they can show these groups of workers, as well as employers, that collective action may still be the best solution to their respective problems—a difficult task indeed.

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## New forms of co-operation, new forms of conflict

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A distinctive feature setting the present economic and financial crisis apart from that of the 1930s is the degree of cross-national synchronization. The synchronized nature of the crisis's economic dimension was aptly captured by the Financial Times' front page headline on January 27, 2009: 'More woe as 72,500 jobs axed in one day: downturn deepens in Europe, US and Asia'. Beneath a panel

of household-name corporate logos, a table totted up worldwide job cuts announced at Caterpillar, Pfizer, Sprint Nexel, Home Depot, ING, Philips, Corus and General Motors. Synchronization of the crisis is reflected in the premium that political leaders have placed on securing internationally coordinated policy responses, something that also sets the present crisis apart from the 1930s. Accordingly, the impacts of the crisis on labour markets are also interconnected cross-nationally, calling for responses on an internationalized, as well as national and local, scale by organized labour.

Four aspects of the impact of the crisis on organized labour, and the challenges arising, are considered: workforce demographics; new forms of cooperation; new forms of conflict; and the international dimension within Europe.

### **1. Workforce demographics**

The economic impact of the crisis has hit hardest in those sectors where union membership density is highest and organization is strongest. Running uphill against the long-run structural shift to services in the advanced economies has suddenly become even harder for unions. Within financial services, which have seen sharp reductions in employment, retail banking and insurance in Europe (unlike North America) are relatively well organized when compared with other areas of private services. Hardest hit on both sides of the Atlantic has been the manufacturing sector, which remains the strong point of union organization in the private sector. Increasingly too, the other bastion of union organization, public services, is facing cutbacks and job losses as Government's retrench in the face of unparalleled accumulations of peacetime debt. Apart from financial services, private sector services have been less sharply affected—areas precisely where union membership is weaker. As an illustration of the consequences for membership, in Britain the TUC anticipates that the modest increases in membership attained since the Labour government came to power in 1997 will all have been wiped out in a 12-month period.

In response, the emphasis on organizing, which has risen to prominence among unions over the previous decade, probably needs to become further entrenched. This renewed need is particularly highlighted by the vulnerability of agency and temporary workers to lay-offs in the crisis—groups in the workforce where unions continue to lack an effective presence.

### **2. New forms of cooperation**

At the national level, unions in several European countries have been drawn more intensively into macro-level concertation with government and employers to either conclude measures anticipating the effects of the crisis (e.g. Belgium and

the Netherlands) or for dealing with its consequences (e.g. Ireland). In Poland, where earlier attempts at concertation have not been successful, a joint employer–trade union package of anti-crisis measures is under discussion with the Government. The implication is that governments continue to need unions, to assist in shaping difficult reforms in ways which are the least unpalatable while securing their legitimacy.

At the company level, joint employer–trade union initiatives aimed at sharing pain have become a feature in the manufacturing sector, in particular. A growing number of agreements involving reductions in working time, and loss of earnings, and/or pay freezes to safeguard jobs and skills have been concluded in Britain—which lacks a national framework for dialogue and concertation between government, trade unions and employers—and several other European countries. The incentive for employers is securing short-run cost savings, to offset the collapse in demand, whilst retaining difficult-to-replace skills (both tacit and recognized); for unions it is the maintenance of members' jobs. The implication is that employers need unions to secure the medium term viability of companies, and to give legitimacy to short-run emergency measures.

The challenge for unions with respect to both developments is how to ensure against short-term memory loss by governments and employers come recovery, and to ensure that integrative 'pain sharing' processes in crisis times become translated into 'gain sharing' ones in the good.

### 3. New forms of conflict

The effects of the crisis have prompted new forms of action together with the (re)appearance of older forms of conflict. Instances of 'bossnapping', in which senior managers (including from the parent company) are taken hostage on company premises by the workforce in disputes surrounding proposed site closures, have gained prominence in France. And, at the time of the SASE meeting (July 17), the French daily *Libération* headlined an occupation against plant closure where the workforce had threatened to blow up the facility with butane gas bottles (referred to as 'La stratégie de la bonbonne', Joffrin, 2009). A common feature of the cases involved would seem to be the remoteness of the corporate managers taking closure decisions. Local management were no longer a relevant interlocutor for the workforce, and 'bossnapping' offered a means of access to corporate managers (sometimes directly) as well as raising the profile of the dispute with the authorities and public opinion.

Reappearing across a range of countries have been factory occupations, aptly captured in a July 25th feature on the phenomenon in the British daily *The Guardian* (Macalister, 2009). Although hardly novel in France, workplace occupation is an industrial tactic rarely used in the UK over the past quarter of a century.

Instances during 2009 included the occupation of two of the three UK sites of automotive components manufacturer Visteon, which was spun-off from Ford in 2000 and which filed for bankruptcy, and the UK wind-turbine manufacturing facility of Danish-based Vestas—where a notable feature was the coalition of environmental groups and trade unions forged in support of the workers involved.

The new member states of Central Eastern Europe have been characterized by comparatively low levels of industrial action over the past decade. Yet, two countries in the region, the Czech Republic and Lithuania, have seen generalized forms of 1-day protest action more usually associated with Mediterranean Europe, aimed at the impact of public sector reforms and Government austerity measures, respectively. While such developments do not signify a wave of industrial unrest—indeed EU-wide figures for 2008 show that the incidence of industrial action remains at historically low levels—they do indicate the potential of organized labour to contest the imposition of particular effects of the crisis.

#### 4. The European dimension

Despite the cross-nationally synchronized nature of the crisis, organized labour's response at European, and wider international, levels remains extremely limited. International responses are not necessarily always the most effective for trade unions faced by the restructuring and relocation decisions of internationally integrated multinational companies. According to circumstances, local responses and actions may be the more appropriate and the more effective. Nonetheless, other circumstances demand cross-national responses.

Considering trade unions' recent record in coordinating responses and actions cross-nationally within Europe, my colleague Meardi (2009) usefully differentiates between the EU's integrated markets for capital/production locations, labour and services. In the first case, trade unions have not, in general, proved able to mobilize European Works Councils as platforms to coordinate responses to multinationals' cross-border restructurings. There are exceptions, including several successful experiences in the automotive sector. For example, a joint framework agreement negotiated by Ford Europe's EWC, which protected the rights of workers being transferred to Visteon, was an important lever in the negotiations accompanying the 2009 occupations in the UK. In the second, in the face of a surge in intra-European flows of migrant labour following the EU's eastern enlargement, Meardi detects some successes in bi-lateral cooperation between unions in originating and host countries, with positive results for organizing and representing migrant workers. In the third, freedom to provide services across Europe's single market invokes the potential for the posting of workers, and provides particularly tough challenges for unions. For example, despite the evident cross-border dimension, and the seeming inadequacies of

the EU's Posted Workers Directive, the recent disputes at major sites in UK engineering construction, involving local and, variously, posted Italian and Polish workforces, have been played out entirely on the national level. There has been little or no contact between the trade unions in the different countries involved.

The re-assertion of the need for measures to reinforce the social dimension of the EU's integrated market is a matter of urgency for organized labour. At its most fundamental, social rights need to be accorded equivalent constitutional and legal footing to market-making within the EU, thereby correcting the effect of recent ECJ judgements, including the Laval case, which have undermined nationally established social rights. An immediate focus for mobilization is also needed: a prime candidate is a coordinated European minimum wage policy. This could serve a double purpose: strengthening the EU's minimum floor of labour standards; and—if set at an adequate level—boosting demand in the context of crisis.

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## Trade unions and the crisis: a lost opportunity?

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'You never want a serious crisis to go to waste', Rahm Emanuel, President Obama's Chief of Staff, is reported to have said in November 2008. 'This crisis



provides the opportunity for us to do things that you could not do before'.<sup>1</sup> The financial crisis, which evolved in the summer of 2007 and exploded into a global economic crisis a year later, presented unions with major challenges but also perhaps opportunities. Challenges, because unions' key functions involved negotiating with, and within, actually existing capitalism: even unions that had emerged as explicitly anti-capitalist movements had abandoned serious pretensions to build an alternative economic model. Yet, bargaining within capitalism was attractive insofar as it yielded rising real wages and—through 'political exchange' at the level of the state—a stable framework of social benefits. Already for two decades unions in most countries had been forced on the defensive as the wage share of national income declined and welfare states were hollowed out through cutbacks and privatization; and union inability to do more than slow the reversal of gains made during the first post-war decades was linked as both cause and effect to membership decline. The crisis evidently threatened to aggravate this vicious circle. Yet, the literal bankruptcy of many of the institutions of globalized, deregulated, casino capitalism seemed to offer unions an opportunity to harness popular anger, apprehension and discontent in a campaign, if not for socialism then at least for a reconstituted 'social market economy', in the process recapturing external legitimacy and internal coherence. Has this opportunity been wasted?

### 1. In search of a strategic response?

Trade union policy-makers are rarely strategists. German unions, with dedicated strategic planning departments, are exceptional: in most countries, union perspectives are largely bounded by the next set of negotiations. The loss of membership and, accordingly, of income have made strategic change essential but all the more difficult.

Hence, unions were not well placed to respond to the crisis. An official of *IG Metall* insisted (Guggemos, 2009): 'nobody today can claim to know all the answers to all the challenges of the crisis. We are simply learning from day to day'. In a similar vein, a leader of the *Confédération française démocratique du travail* commented (Grignard, 2009): 'it is clear that we were not prepared for this. . . . We face the first systemic world crisis, for which we had no experience. We see a chain reaction . . . ?'

We focus here on trade unions in Western Europe, in the context of a research project investigating union strategy (or its absence) in 10 countries. In many

<sup>1</sup>This quote was a part of a WSJ interview, the video is viewable online at: <http://online.wsj.com/video/rahm-emanuel-on-the-opportunities-of-crisis/3F6B9880-D1FD-492B-9A3D-70DBE8EB9E97.html>

respects our analysis parallels that developed by Paul Marginson in his contribution: there is evidence both of radical and/or conflictual responses, and of a reinforcement of cooperation. What we will emphasize is that the two types of response are paradoxically interconnected, and indicate important contradictions inherent not just in union policies but in the implications of the crisis itself. Hence, radical actions, whether national general strikes or company-level conflicts, tend to be defensive in objectives. Conversely, efforts to seek consensual solutions through social dialogue confront an intensified opposition of class interests—who will pay for the crisis?—and a diminished space for positive-sum outcomes.

## 2. The limits of radicalism

*Noi la crisi non la paghiamo!*—we are not paying for the crisis! The slogan, which first appeared in Italy in the autumn of 2008 began to figure prominently in translated form at demonstrations across Europe in the spring of 2009, and was adopted by many trade unions. It expressed a high degree of public anger: the ‘fat cats’ whose greed and recklessness caused the crisis were still protected, being bailed out with huge sums of public money, while ordinary workers were suffering job losses, pay cuts and loss of pension rights, and would be expected to pay the long-term bill to redress public finances.

As Marginson documents, the crisis has provoked a variety of conflictual responses at workplace level, including a spate of sit-ins against job cuts and plant closures, reminiscent of the struggles of the 1970s. In France this was given distinctive character in the spring of 2009 with a number of episodes of ‘bossnapping’, when senior managers were held hostage by workers; and in three cases in July, workers threatened to blow up their factories with gas cylinders. Undoubtedly, the most publicized British dispute against job losses began at the end of January at the Lindsey oil refinery in Lincolnshire, owned by the French multinational Total. The company subcontracted a construction project to an Italian firm that employed only foreign labour—displacing existing workers—on terms inferior to those specified in the British collective agreement for the sector. An unofficial strike quickly escalated, with sympathy action across the country. Though a settlement was soon negotiated, a similar dispute took place in June after management dismissed over 600 workers who had been involved in an unofficial strike on a separate project.

Yet radical forms of action do not imply similar radicalism of objectives. In most cases, it seems that workplace struggles have been gestures of defiance and despair, with little belief that they will prevent announced closures or job losses. Rather, the aim has commonly been to limit the number of dismissals

or to achieve improved redundancy packages. For this reason, such disputes have usually been relatively easy to resolve.

At the national level, there have been actual or threatened general strikes to protest against government responses to the crisis, which seemed to protect bankers and companies rather than workers. But actual strikes have mainly involved the ‘usual suspects’ with a history of such action—France, Italy, Greece—where general strikes are a normal part of bargaining between unions and governments. Elsewhere, as in Ireland or Finland, threats were a pressure tactic not ultimately activated.

Other protest action was essentially demonstrative. Following a wide range of national protests, notably on May Day, the ETUC convened European Action Days from 14 to 16 May 2009, with four Euro-demonstrations in Madrid, Brussels, Berlin and Prague. At the end of the month it held a 2-day conference in Paris on the economic and social crisis, with the slogan ‘Fight the crisis—and win the aftermath’ (ETUC, 2009, p. 3). It should be noted that for European trade unions, reactions to the economic crisis coincided with growing anger at the implications of recent decisions by the European Court of Justice which ruled that market freedoms have priority over the protection of decent work by national law or collective agreement.

In a clear sign of a new radicalism in trade union discourse, in May 2009 the *Deutscher Gewerkschaftsbund* organized a ‘Capitalism Congress’—using language which until recently would have been taboo—and its president warned of unrest on the streets unless jobs were more effectively safeguarded. One of its leaders, Claus Matecki (2009), insisted that it was important to talk of capitalism rather than using the conventional but bland term *soziale Marktwirtschaft* (social market economy), since only thus could trade unionists make clear that the existing economic order was historically contingent and founded on a fundamental inequality between workers and employers. Yet, there has been no follow-up to the *Kapitalismuskongress*, the more modest recall to return to a *soziale Marktwirtschaft* has now been re-adopted, and meanwhile the tide of mass protests across Europe seems to have subsided.

### 3. The obstacles to consensus

Social dialogue has often been a response to economic crisis and recession in the past. At the national level, particularly in the past two decades, such dialogue has at times resulted in formal ‘social pacts’ involving government, trade unions and employers, often covering a broad multi-issue agenda allowing trade-offs between the different interests of the participants (Fajertag and Pochet, 2000; Avdagic *et al.*, 2005). Typically these have been exercises in damage limitation, with an important objective being to enhance national competitiveness—hence their characterisation by Rhodes (2001) as ‘competitive corporatism’. There have been similar patterns in the current crisis, though also important differences.

Given the centrality of government action to national responses to the crisis, macro-dialogue has inevitably been tripartite rather than bipartite. The outcome has also typically involved ad hoc, narrowly focused agreements—if any. Rychly (2009, p. 12), adopting a global perspective, has argued that the current crisis has led to an acceleration of social dialogue, a conclusion supported in more detail by the ILO (2009). However, Rychly adds that the process has led to few ‘comprehensive tripartite agreements’ and has often involved serious conflicts (Rychly, 2009, pp. 15–21). Whereas in the 1990s, economic adversity was a spur to social dialogue, resulting in comprehensive pacts in countries with little previous tradition of such concertation, the crisis of 2008–2009 has not had the same effect. This may be in part a reflection of the speed and immensity of the crisis: where the necessary institutions were not already well established, the urgency of the situation provided little scope for their creation.

For the same reason, where peak-level agreements *were* negotiated these were often narrow in focus: ‘headline’ or ‘shadow’ pacts, in the terms used by Avdagic *et al.* (2005). A key initiative in many countries was agreement on a relaxation on the rules governing short-time working, often linked to government funding for short-time work schemes as an alternative to redundancy, so that loss of wages would be minimized.

The problematic nature of social dialogue in the past year is confirmed by experiences in the seven European countries that the ILO (2005) presented as success stories shortly before the crisis. In some cases there seems to have been no serious efforts to obtain tripartite agreement on responses to the crisis; in others, such efforts have failed, or have provoked serious divisions among the parties involved. In Ireland, there was record union support for the November 2008 ‘Transitional Agreement’ which amplified the partnership pact of 2006, providing for a 6% pay increase over 21 months. But the subsequent government crisis package resulted in a breakdown, particularly over its imposition of a ‘pension levy’ which involved in effect a cut in public sector pay, and allegations that it was allowing employers to renege on the pay increases. A general strike was threatened but was called off pending further talks. Though little progress was achieved in pursuing the unions’ 10-point plan for handling the crisis, the head of the Irish Congress of Trade Unions (ICTU) insisted that a tripartite pact is still the ‘only show in town’<sup>2</sup> and that ‘there is not really a crisis in the social partnership system, it is just that we cannot agree.’<sup>3</sup> In September 2009 a new phase of confrontation began, and all public sector unions called a 1-day strike in November.

<sup>2</sup>David Begg, see <http://www.irishtimes.com/newspaper/ireland/2009/0707/1224250171166.html> accessed on January 8, 2010.

<sup>3</sup>Interview from May 2009 on file with authors.

In Finland, government attempts to impose a higher retirement age provoked a general strike threat, while subsequently the unions—and some employers—criticized the government budget package as an inadequate response to the rapid rise in unemployment. In Portugal as well, in the spring of 2009 both rival union confederations issued programmes demanding emergency measures to deal with unemployment, without success. In Slovenia, the government introduced a part-time working scheme, but the unions refused to endorse this because it did not provide adequate guarantees against wage reductions. In Spain, the country with by far the highest unemployment rate in Western Europe, attempts to renew the national social pact broke down in March 2009, and social dialogue contributed little to the government's recovery plan. In Italy, government initiatives split the unions, with the largest union, *Confederazione generale italiana del lavoro* (CGIL) calling a general strike in April 2009. The one 'traditional' pact among the ILO's seven countries was in the Netherlands; but the agreement on a crisis package reached in May 2009 barely concealed fundamental differences: in particular, the resistance of the main union confederation, *Federatie Nederlandse Vakbeweging* (FNV), to an increase in the retirement age. The agreement gave unions and employers 6 months to negotiate an alternative pensions plan, but shortly before the deadline the employers broke off talks and the FNV organized a series of mass protests and strike actions on 7 October, the 'World Day for Decent Work'.

Hence, the crisis seems to have made peak-level dialogue very difficult in most countries with a tradition of national pacts. Perhaps, an exception is Belgium. Here, the crisis was severe: one of the main banks, Fortis, was partially sold to the French BNP Paribas with the remainder nationalized. The two-yearly national pay negotiations began in the autumn and were initially tense, with a 'day of action' (described by one of the unions as a general strike) in October. However, bargaining relations gradually improved, with government mediation resulting in an 'exceptional' agreement at the end of December, given legal backing in March 2009. The unions, which complained that purchasing power had fallen substantially, agreed to a limited pay rise weighted towards the lowest paid, and to 'soft' increases (such as luncheon vouchers and travel subsidies) which added little to employers' labour costs. Benefits for the unemployed and pensions were increased, while employers' taxes were reduced. A further agreement in February provided for the payment of 'eco-cheques' which workers could spend on ecological products; while in April 2009 there was a tripartite agreement on crisis measures for white-collar workers: reductions in working time by a quarter or a fifth, if approved by sectoral or company-level agreements, would be partially compensated from public funds. More recently, however, dialogue has been under renewed strain, with the government indicating that it cannot afford to maintain its contribution to the settlement into 2010;

its policies were denounced by the socialist *Algemeen Belgisch Vakverbond/Fédération Générale du Travail de Belgique* (ABVV/FGTB) as ‘indecent and unacceptable’.

Hence peak-level negotiations during the current crisis have involved inter-linked conflict and partnership. In many countries, this contradictory dynamic is associated with inter-union disputes. One example was the Dutch agreement of May 2009: with the unions divided on whether to accept a higher retirement age, a decision was in effect deferred. In Italy there have been more serious divisions: while two confederations agreed to bargaining restructuring and wage moderation in the public sector, CGIL refused to sign and has organized strikes and sit-ins against public sector job cuts as well as calling one general strike. In France, unity and disunity have both been evident in the trade union mobilizations. Inevitably, internal divisions among the unions have weakened their capacity to shape government responses to the crisis.

We should note that ‘competitive corporatism’ (Rhodes, 2001) has for years reinforced the trend to a declining wage share of GDP, particularly in the eurozone (Keune, 2008). This has occurred despite the formal commitment of European unions to a wage policy intended to reverse or at least halt this decline, by achieving increases at the level of inflation plus productivity growth. The pressures on peak-level dialogue in the crisis are calculated to contradict further these formal trade union aspirations, resulting in wage deflation and a continuing deficiency of purchasing power.

#### 4. The contradictory imperatives of survival in the crisis

‘There can be no return to business as usual’: this was the unanimous trade union response to the crisis. Yet was the aim to negotiate with those wielding political and economic power for a tighter regulatory architecture for financialized capitalism, or to lead an oppositional movement for an alternative socio-economic order? Two familiar and intersecting contradictions of union action were evident. One was the dilemma of short-term imperatives versus long-term objectives. An official of the *Confédération générale du travail* said simply: ‘people’s priority is survival’.<sup>4</sup> Likewise, a leader of the ABVV/FGTB insisted:

the situation really is not simple for trade union organisations. The analysis of the crisis is not complicated: neoliberalism cannot deliver. The difficulty is that today, discourse is not enough. It is easy to say: we need to change the balance of forces. But that does not tell us how to proceed. There are contradictions. For example, in Belgian banks we have 25,000

<sup>4</sup>Interview from July 2009 on file with authors.

members whose jobs are at risk. Do we just say: let Fortis go bankrupt? Our members expect us to look after their immediate interests.<sup>5</sup>

The second contradiction was between a global economic crisis and trade union action which is essentially national or indeed sub-national in character. The international trade union organizations produced powerful analyses and progressive demands, but their impact on day-to-day trade union practice was non-existent. Indeed, the dominant response has been to defend and enhance competitiveness, meaning a struggle of country against country, workplace against workplace, intensifying the downwards pressure on wages and conditions.

So, has the opportunity been lost? Perhaps, one glimmer of optimism is that the crisis has revived trade union attention to the idea of economic democracy. In the past year, much discussion has focused on deficiencies in existing systems of corporate governance, particularly in those market economies where ‘shareholder value’ had become the overriding corporate goal. The systems of ‘codetermination’ which are institutionalized in much of Europe express an insistence that companies are not merely the private property of the share-holders, because employees have a legitimate interest in shaping their goals and policies. Attempts to establish *collective* employee ownership of part of the profits of corporate success—most notably, the demands of Swedish unions in the 1970s for ‘wage-earner funds’, but more widely the role of worker representatives in the management of pension funds—also reflect the view that employees should be represented in controlling the application of the resources which they have produced. But in times of economic adversity, primarily enterprise- or establishment-based mechanisms are forced to accommodate the externally imposed imperatives of intensified global competition, and may be unable to do more than underwrite managerial priorities. With the shock of crisis, some union policy-makers seem to recognize that the overriding challenge is to build a movement for greater democratization of the economy and to create new links between different levels of regulation and different issues on the regulatory agenda.

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## The US labour movement and the audacity of hope

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Few would dispute the claim that the rise of neoliberalism was among the most important drivers of de-unionization over the past three decades. In the USA, massive deregulation spurred a downward spiral of union density and influence. This affected even unions rooted in place-bound industries like construction or services, which are largely insulated from outsourcing. Meanwhile, industrial unionism was decimated by capital hypermobility in the manufacturing sector. Employers across the economic spectrum were newly emboldened to attack unions where they remained intact, and to resist new organizing efforts with renewed vigour. Plummeting union density contributed to the rapid erosion of the real income gains that non-college-educated workers had made in the post-war era, and the neoliberal devolution of labour and employment law



enforcement further added to labour's woes. Other factors figured in labour's decline, of course, including some internally inflicted wounds, but neoliberalism looms large in virtually all accounts of the post-1970s period.

Yet, it does not follow that a reversal of fortune for organized labour will automatically result from neoliberalism's current crisis—even if that crisis is not speedily resolved. Indeed, in the aftermath of the 2008 financial crash, despite the election of a labour-friendly Democrat to the presidency and a surge of popular anti-corporate rage and double-digit unemployment, the future of US unionism appears bleaker than anytime in the past half century. Organized labour is demoralized and divided, and many of its most talented leaders are engaged in vicious infighting. And unlike the 2005 split in which several large unions disaffiliated from the AFL-CIO to form a rival federation, 'Change to Win (CTW)', the current factionalism is not centred on a strategic debate; rather it seems to involve mainly jockeying for power.

Even with Democrats in control of both legislative houses and the executive—thanks in no small part to organized labour's support during the 2008 elections—the primary item on both CTW's and the AFL-CIO's political agenda, the Employee Free Choice Act (EFCA), is far from assured of passage. Moreover, EFCA is not on the radar of most workers, and labour has not put forward a coherent programme to address the twin jobs and housing crises, beyond support for economic stimulus efforts, extended unemployment benefits, and the like.

Thus, at a moment that appears on the surface as an historic opportunity, no bold vision or new strategies have been forthcoming from the beleaguered House of Labour. Moreover, after a long period in which the unions' vast political and financial assets lent them political influence far greater than their membership numbers appeared to warrant, many labour organizations today are facing serious financial problems. Some staff have been laid off and others are disillusioned to the point that they have departed voluntarily, leaving the movement with significantly diminished capacity.

This bleak scene notwithstanding, it is important to remember that history is full of surprises. Consider the grim prognosis that a prominent labour expert offered in 1932:

The past ten years have seen changes of amazing magnitude in the organization of American economic society. There are doubtless other changes of a more spectacular kind, but I doubt whether any other is of more permanent import, both in practical results and in theoretical interest. The change to which I refer is the lessening importance of trade unionism in American economic organization.... American trade unionism is slowly being limited in influence by

changes which destroy the basis on which it is erected . . . I see no reason to believe that American trade unionism will so revolutionize itself within a short period of time as to become in the next decade a more potent social influence than it has been in the past decade. (Barnett, 1933, pp. 1, 6.)

Those were the words of George E. Barnett in his presidential address to the American Economic Association just weeks after Franklin Delano Roosevelt was elected to the US presidency.<sup>1</sup> A few years later, the single greatest union upsurge in all of US labour history would begin, utterly falsifying Barnett's pessimistic assessment. This is surely a cautionary tale for anyone tempted to predict the future of the US labour movement three-quarters of a century later, in the face of another deep economic crisis and after the election of another Democratic President whose ascent embodied popular hopes for social transformation. To be sure, organized labour's situation today appears every bit as dire as it did in 1932, and notwithstanding the plethora of comparisons between today's economic crisis and the Great Depression, as well as between Barack Obama's presidency and that of FDR, most contemporary commentators are at least as pessimistic about the future of unionism as George Barnett was then.

In the immediate aftermath of the 2008 election, the mood in union circles was euphoric, buoyed by a series of positive signals from Obama that validated the huge support—in the shape of both financial resources and voter mobilization efforts—that organized labour had provided during the campaign. Even before he assumed office, the president-elect expressed unabashedly pro-labour sentiments. He endorsed the dramatic December 2008 sit-down strike at Republic Windows in Chicago, protesting the closing of the factory and the abrupt dismissal of the workers without notice or compensation. 'When it comes to the situation here in Chicago with the workers who are asking for their benefits and payments they have earned, I think they are absolutely right', Obama said at a news conference. 'What's happening to them is reflective of what's happening across this economy'. Later that month, union leaders were delighted by his nominee for Secretary of Labor, Hilda Solis, a Mexican-American with a strong pro-labour record (Cooper and Greenhouse, 2008).

Soon after his inauguration, on January 30, 2009, President Obama invited a group of key labour leaders to the White House (from which they had been exiled during the previous administration). The event was organized around the signing of a set of executive orders, which, Obama explained, reversed 'many of the policies toward organized labor that we've seen these past eight years, policies with which I have sharply disagreed'. He added, 'I do not view the labor movement as

<sup>1</sup>The address was given on December 29, 1932.

part of the problem. To me, it's part of the solution' (Stout, 2009). The President has repeatedly signalled his support for EFCA, the AFL-CIO's top legislative priority, as well as for comprehensive immigration reform, which is also high on the wish list of many key unions.

Owing to the extended Congressional debate over healthcare reform (also a high priority for labour), EFCA and immigration reform have been deferred into 2010, and in both cases difficult political compromises will be the price of any later successes. Still, labour's optimism continues to flicker—if only dimly—on the legislative front. But two huge clouds dominate the horizon from a union perspective. The more obvious of the two is the recession itself. With the official unemployment rate above 10% (and the actual rate far higher), intensifying the devastating impact of the financial crisis on housing for millions of working families, Obama's own political future is on the line, and ordinary workers are deeply fearful about the future. The second challenge is the unrelenting proliferation of internal divisions among unionists, which has diverted precious resources from organizing the unorganized and consumed the energies and attention of all too many labour leaders, including those that showed the greatest creativity and dynamism in the 1990s and early 2000s.

Nevertheless, a labour revival is not impossible to imagine. Public opinion has remained highly supportive of unionism despite the plunge in density.<sup>2</sup> Together with the improved political climate, that underlying sympathy means any labour struggles that do emerge in the coming years can realistically hope to win the hearts and minds of the broader community. And if the unions can move past the internal warfare that has so deeply distracted them recently, the innovative organizing approaches that the CTW unions developed in the 1990s could potentially be replicated far more widely in the current environment. Despite all the problems, union assets—financial and human capital alike—remain formidable. Political capacity, a strong secondary level leadership, and a partially depleted but still large treasury (due in part to the stability of the one healthy component of organized labour, the public sector) could yet prove critical if they were deployed strategically.

Last but surely not the least, perhaps the most underestimated potential ingredient in any future labour revival is the massive population of immigrant workers, who have periodically shown their enormous receptivity to unionism as well as their capacity for mobilization. Initially seen as a threat by many unionists, in the 1980s and 1990s the new working-class immigrants amply proved themselves to be a key stimulus to new organizing and a source of much-needed

<sup>2</sup>See the overview of Gallup polls by Jeffrey M. Jones, 'Americans Remain Broadly Supportive of Labor Unions', accessed at <http://www.gallup.com/poll/112717/americans-remain-broadly-supportive-labor-unions.aspx> on December 11, 2009.

energy for both unions and the worker centres which have sprung up all across the USA. This phenomenon has attracted limited public attention since the massive demonstrations for immigrant rights that swept across the nation in the spring of 2006, in part due to the wave of raids and repression that immediately followed those marches. But if, as is widely expected, the Obama administration succeeds in launching a mass legalization for the millions of unauthorized immigrants, that could change. The Republic Windows sit-down strikers were mostly foreign-born, although this fact was downplayed in the media coverage of their actions. Immigrant workers have been central to union revitalization in previous eras of US labour history, and if labour were to once again awaken from its current slumber, they are likely to be at centre stage once again.

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