

TRADE UNION RE-ORGANIZATION AND THE EMPLOYMENT CRISIS: UNIONS AND SOCIAL POLICY IN A WORLD OF GLOBALIZATION AND DEREGULATION

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Whether one examines the issue from the perspective of neo-classical economics or from that of trade unions, union involvement in economic decision-making and the current unemployment problem seem mutually inimical. From the former perspective trade unions are a major source of the rigidities which in theory prevent labour markets from clearing. From the union perspective high unemployment raises the power of employers relative to employees in a manner that makes active employee involvement (especially through unions) in economic decision-making very unlikely. However, detailed scrutiny suggests that the issue might be less simple than this.

In the background rests concern over the implications for employment of economic globalization, by which I mean the extension of a single inter-linked set of markets and organizations for the production and delivery of goods, services, finance and to some extent labour across the entire inhabited world. A central contention of this paper is that the adjustment problems caused by globalization are essentially transitional. Admittedly, the transition will be a long one. The recent economic advance of South-East Asia and the extension of capitalism to eastern Europe still leaves vast quantities of labour beyond the reach of the global economy. Important moves are being made in Latin America, the Arab world; some parts of the immense territories and populations of China and the Indian sub-continent have become involved; most of sub-Saharan Africa is still untouched. Further, in many of these countries dictatorships of various political colours are able to secure certain competitive advantages that flow from the suppression of demands for labour rights. Nevertheless, beyond the long transition lies a world worth waiting for, where more people in more parts

of the world than ever before experience decent levels of prosperity, and where old and new producers will find their niches in a greatly expanded world trading system.

At present we are experiencing a massive shift in the global balance of power between capital and labour as the far superior relative mobility of the former increases its scarcity, and this is having consequences in the domestic politics of every country as capital demands the deregulation of labour markets and the erosion of measures for workers' security as the price for continued investment in any particular location. Eventually this relative advantage will subside. Once we take this view of the transitional nature of the process it is possible to advance ideas for "tunnelling through", for trying to limit the consequences for social policy and labour rights of the dramatic but temporary shift in global capital-labour relations that is taking place. In order to consider what this means in practice we must examine in some more detail the character of the major economic changes.

Employment issues and economic globalization

In the simplest case globally mobile capital is seen as moving to parts of the world where labour costs (direct and indirect) are lowest and where labour's rights are least well developed. Clearly, there are cases where this happens. The production of certain goods has shifted heavily away from the existing advanced countries, largely for reasons of costs which are in the last analysis labour costs, a notable example being ship-building which moved first from Western Europe and the USA to Japan, and then on to South Korea and elsewhere in south-eastern Asia. Some services have already been affected as well as manufacturing: for example, shipping, where crews below officer level are almost universally recruited from low-wage countries; but also back-office clerical and accounting tasks, such as the European airlines whose ticketing operations are co-ordinated and administered in India, or the US insurance firms whose staff dealing with telephoned inquiries from customers in North America are located in Ireland (a relatively low-wage country within Western Europe) — accessed at local call rates via 0800 numbers.

How extensive are these inroads likely to become? Setting aside the Irish example, until a few years ago one could have argued that only relatively low-skilled work was likely to be exported to truly third-world countries, because almost by definition the very poverty of social infrastructure that made their labour cheap and taxation levels low prevented them acquiring skills. However, advances in technology have affected both production methods and systems of managerial control so that it is

increasingly possible both for low-skilled workers to perform tasks that a few years ago required an advanced educational base, and for remotely located managerial teams to oversee the production process.

Nevertheless, other factors come into play to limit the challenge. First, the mobility of productive capital in the sense of factories, distribution chains and points of service delivery is in practice far more restricted than the theoretical concept of unrestricted capital movements implies; "sunk costs" play an important part in all relocation decisions. Second, the progress of technology in enabling low-skilled labour to perform previously skilled tasks should not be exaggerated. The long-term trend is for an increase in the skills required from labour forces, and often managements can gain even more value added by mixing both advanced technology and highly skilled labour than by seeking a constant sum of value added by substituting technology for skill. Far more important than a shift to low-skilled countries and work forces is the fact that many newly industrializing countries are rapidly improving the educational level of their populations and now compete in the most advanced markets, while retaining some low-cost advantages over the old industrial nations. South Korea and Taiwan are notable examples. In doing this however these countries start to move some way towards the level of labour costs and social infrastructure that are often seen as a burden in the advanced societies. This becomes a third factor limiting the extreme confrontation between high and low costs. Poor-quality social infrastructure is not necessarily an advantage.

As research by Pascal Petit and Terry Ward (1995) has shown, although the new economies of the Far East have considerably increased their import penetration of Western Europe and other advanced areas, they receive a far smaller proportion of direct investment from the industrialized countries than do those countries themselves. Of course, it will continue to rise as we are still in the early stages of the process, but it is important to place what has occurred already in perspective. More important is the fact that, as wealth shifts to the new producers, so they become customers for the goods of the advanced countries. As Petit and Ward also show, while South-East Asian manufacturers increased their share of third-country imports into the then European Community area from 12% to 18% between 1985 and 1992, their share of exports from the Community to third countries increased from 8% to 13% over the same period. Similar developments have taken place in their trade with the USA and Japan, where in fact there has been even greater success in exports to the region. Living standards in the new industrializing countries eventually rise, leading both to a reduction in the gap in labour costs and a rise in trade opportunities for the advanced countries as much as for themselves.

Transnational firms are not the only relevant actors. There are also

exports from domestic producers in low-cost countries who are able to compete effectively with locally made products in the advanced countries — the shoe industry is a good example. The entry barriers here are far lower, though there are restrictions on the range of goods, which tend to be limited to those that can be produced and then internationally distributed by relatively small indigenous firms in the low-cost countries.

Relatively untouched by globalization are not only some areas of goods production but also large areas of services provision. Of course, we must not make the mistake of regarding services in general as not being internationally tradable; and as the airline and insurance company cases cited above show, certain aspects of even locally traded services can be located remotely. Nevertheless, many services are likely to remain locally recruited and locally provided; examples include those of lawyers, cleaners, school teachers, policemen, shop assistants.

Some of these services are touched by globalization to the extent that global labour markets develop, taking the form of immigration into an advanced country from poorer ones. However, the impact of globalization is here limited by certain factors that do not apply to goods production or those services that can be delivered remotely. First, even though immigration will reduce wages in certain sectors through the increase in labour supply it represents, the employment conditions and therefore industrial citizenship rights of immigrant workers will usually be covered by national arrangements. It is possible to benefit from industrial citizenship without being a citizen in the formal political sense; the only important exception to this is the growth of clandestine employment among immigrants who have arrived illegally. Second, racism within the advanced countries has nearly everywhere led to far more severe limits being imposed on the movement of labour than on capital. Given that in practice neo-liberal parties tend either to govern in coalition with, or to have their own wings which include, xenophobic groups, there is nothing like the same thrust to liberalize labour markets as there is capital ones.

Very different arguments apply to the mobility of a further factor of production: purely financial capital. Here, the limitations of sunk costs that inhibit moves of production facilities do not apply, or do so only marginally. To shift production of motor vehicles from Germany to Poland takes years of planning, the construction of facilities, the training of work forces, the establishment of distribution chains. To shift billions of Deutsche Mark in and out of firms or national currencies requires just a few seconds and some information on a computer screen. A combination of computer technology and the deregulation of markets has produced a global financial sector. This does not have many direct implications for employment conditions, but its indirect implications are considerable.

The indirect implications of globalization

These extreme differences of exposure to globalization do not mean that we have two employment situations within countries, an internationally traded sector in which employment rights are depressed by global competition and a locally traded one (consisting mainly of services) in which it is not. Instead the following logic seems to be in operation. In most advanced countries there have been strenuous attempts to raise productivity in the export and import-substitution sectors; labour has been replaced by technology; low-skilled labour has been replaced by high-skilled; and inefficient producers have closed down. Niches have been found in globally competitive markets, not by reducing labour standards, but by improving productivity. This has often led to improved standards for those remaining in employment, but a large decline in their numbers. This is in particular the European case (OECD, 1994).

The competitive pressure from global competition has therefore fallen indirectly on those forced out of employment in the sectors directly engaged in the competition. Many of these have become unemployed; although the evidence is mixed, there are clear indications that part of the rise in unemployment in Europe and elsewhere has been the result of the new competition (Wood, 1994: ch. 8). Many others however have found employment in services sectors not directly touched by global competition. The process has often been even more roundabout than this implies. Workers do not necessarily move from one sector to another; rather, one generation stays in the old sector while its sons and daughters find employment in the new; or the wives of men made redundant or taking early retirement find the new employment and thereby sustain the family's income.

The growth of non-traded services has in no way been caused by globalization. In many cases it has been fortuitous that employment opportunities have opened in these services at a time when employment was contracting in manufacturing; and many of the jobs created have been at high skill levels. In particular, the biggest single component of the services sector — community and social services — employs proportionally more highly educated personnel than either manufacturing or the distributive and communications services which are closely allied to manufacturing (Crouch, 1998: ch. 4). At least in European countries, a majority of community and social services are publicly provided, and public employment typically enjoys high levels of security and other attributes of employment rights. Nevertheless, public employment has not been free from the pressure of globalization. Since an important part of the cost advantage of third-world producers and relatively low-cost advanced countries comprises the low

taxes and social costs borne by businesses, many advanced countries have tried to improve their competitiveness by reducing their own social expenditure, which eventually has an impact on the employment conditions of public employees in social and community services. Governments have also used reductions in taxation (and therefore in expenditure) as indirect inducements to workers not to press for increased wages and thereby to constrain labour costs. Finally, the ability afforded by globalization to some firms to “regime shop” may involve governments in competitive reductions in taxation on businesses and managerial incomes, again with negative consequences for public employment.

It is here also that the full relevance of the extreme mobility of financial capital becomes relevant. If governments are tempted to risk a period of inflation by engaging in deficit spending in order to sustain public services while keeping taxes low, their currencies will be punished very quickly by the capital markets. Even if they raise taxes to finance the spending they may still be punished by the widespread prejudice of those engaged in these markets against public expenditure.

Implications for industrial relations and the role of unions

If one of the indirect effects of globalization is to reduce public employment, it has a number of consequences for industrial relations. First, public services usually have particularly highly institutionalized forms of industrial relations and their own employees’ security. This is ambiguous. While it might form part of a general growth of such rights, in some cases it makes public employees a privileged group. Second, public employment has provided particularly highly skilled work opportunities for many men and women, and a decline in its size may therefore lead to an overall reduction in such opportunities. Third, and possibly most important, in addition to their highly skilled employees, public services also employ large numbers of low-skilled people, especially women, in both manual and non-manual position. Although these people usually earn only low incomes, public employment status has usually provided them with a degree of security, protection from extreme exploitation and right to trade union representation not otherwise easily available to poor people. The rights of this group are heavily threatened when public services decline.

Such a decline can take the form of either the privatization of those services or an absolute reduction in the provision of the service in question (and therefore of employment in it). Often a combination of the two can occur: removal of a service from public provision, free or heavily subsidized

at the point of receipt, to private provision through the market (as would be the case with the privatization of education or health services) is likely to lead to a reduction in demand as poorer consumers leave the market. This is less likely to happen among wealthier consumers (unless the service provided is one for which there was little real consumer demand) or with services that had been provided on a market basis under public ownership. Here there may be no reduction in employment of the same type, but there may still be a change of employment rights if private employers do not accept the terms and conditions of public employment. Whether this leads to an overall reduction in occupational rights or merely the abolition of privileges can only be determined by inspection of individual cases; where low-skilled, low-wage public employees are considered it is likely to be the former. In many cases one of the main "gains" perceived to flow from privatization has been the reduction of security and worsening of employment conditions for low-wage public employees.

Increased productivity and intensified competition in manufacturing alongside this decline in public services are now leading to greater reliance being placed on other services sectors — distribution and communications, business services, and personal and domestic services — to provide employment opportunities. They have been doing so through a process of growth that initially had nothing to do with globalization but with changes in patterns of consumer demand, the implications of differential productivity rates in different sectors of the economy, and the tendency for manufacturing firms to contract out a range of service activities to firms in the business services sector. This process of job creation has been at varied skills levels: business services, like public services, have provided a large number of professional and managerial positions; the distributive sector has mainly contributed routine non-manual jobs; private services, something of a residually defined sector, have provided some professional and routine non-manual, but also some unskilled manual employment (*ibid.*). In all cases the main missing group has, as in community and social services, been skilled manual work. In all cases, again including the community and social services sector, most of the employment creation, especially at the lower levels of skill and earnings, has been taken up by women. In most countries outside Scandinavia these sectors, as well as privately provided social and community services, have — unlike public services — particularly low levels of trade union membership and of institutionalized industrial relations.

The problem of low-skilled work

Globalization has been only indirectly involved in these main processes: it is only insofar as pressures to improve productivity (and therefore probably to reduce employment levels) are higher in internationally traded sectors, which have become more competitive as a result of globalization, than in protected sectors that it has been one among many general causes of the rise of the service sectors. There is however a more specific indirect contribution of globalization to certain kinds of employment growth which is more clearly an aspect of a decline in occupational rights. This takes the following form. The decline in the demand for labour in manufacturing, created partly by globalization, leads to a rise in unemployment among low-skilled people. Employment can be created for them in labour-demanding, and therefore low-productivity, sectors only if they are inexpensive to employ. This requires not only low wages but also low indirect labour costs and low levels of security. It is this line of reasoning that leads the OECD and the consensus of economic experts to advocate a general deterioration in the regulation of labour markets, labour security and social protection — in short, a deterioration in industrial citizenship. The fact that the UK and the USA — countries with particularly low levels of such citizenship among the advanced nations — are experiencing a decline in unemployment levels while much of Western Europe is seeing rising unemployment is taken as evidence of the value of such a strategy.

In this context it is particularly relevant to note that the superior employment performance of the USA in relation to most continental European economies consists almost entirely in a superiority in non-traded sectors: distribution above all, and the sector known as “community and social services” (Crouch, Finegold and Sako 1998: ch. 2). There is also superiority in the small but important and partly traded sector of financial and business services. Particularly notable however is that the US employment level in manufacturing, where arguments about competitive labour costs and trade union power are most important, is considerably below that of several European cases, while the European countries that most resemble the USA in having a large distributive sector are the high-unemployment southern European cases.

No-one expects the actual levels of security and employment terms of higher paid employees to be adversely affected by the removal of legislated or bargained security arrangements; such employees would continue to benefit through labour-market forces. The aim of the deregulation strategy is to produce more employment at the low end of the skill and income chain, simultaneously producing a general shift in the character of security

away from established rights and towards market forces as well as a major increase in social inequality.

There are however alternative strategies which can limit the severity of such a dilemma, if policy makers so choose. For example, a significant component of labour costs comprises the contributions to employees' social security, pension rights, etc. that are borne by employers, though there is considerable diversity among countries in the extent to which this burden is shared by the general tax payer. At a time when it was necessary to encourage higher productivity production methods in European industry in conditions of full employment, it made sense for the cost of employing labour to be raised in this way. There are also sound economic grounds for arguing that the provision of a certain level of income security for employees is an intrinsic part of labour costs, and that these should be borne by the employer. More pragmatically, a major motive for governments loading a substantial part of the cost of social insurance on to employers was the political difficulty of requiring the general tax-payer to meet these costs. At the time when these systems were growing extensively (the post-war years), the bulk of payments were borne by large corporations which in most continental European countries were either public-sector monopolies or private-sector monopolies operating in protected markets. They could therefore relatively easily pass on the costs; the general tax-payer bore the burden in the end, but in an invisible and politically painless way.

Now however very different logics are at work. It is neither desirable nor necessary to give an additional stimulus to incentives to economize on the use of labour. Very few large firms remain limited to protected domestic markets. More relevant has become the "collective good" character of employment. We should all gain from the provision of a high level of employment in that our taxation contributions to unemployment support would be reduced, we should personally face less anxiety at the risk of being unemployed, and we should all gain from the reduced crime and deviance that seem to be associated with high levels of unemployment. Therefore, over and above the strictly economic transactions in which they are involved when they hire labour, employers are contributing to a collective good. It is therefore rational for part of the cost of providing employment to be shifted from employers to the general tax-payer by reducing as far as is possible employers' contributions to social security funds.

The fact that practices vary among countries shows that this must be possible. For example, while Denmark has one of the lowest levels of employers' contributions to social security in Europe, Sweden, a country which resembles Denmark in so many other aspects of social policy, has one of the highest. Hemerijck and Kloosterman (1994) have described how a

change in Dutch policy in this regard in the early 1990s had dramatic implications for employment, especially of Dutch women.

Changes in types of unionism

The shift from manufacturing and manual employment to services and non-manual work have negative implications for the role of unions in a roundabout way. Not only are levels of union membership and institutionalized industrial relations typically lower in services (other than public services) than in manufacturing industry, but both services and non-manual employment tend to produce a different kind of unionism. Even in Scandinavia, non-manual unions in particular are rarely capable of the central co-ordination that was an important feature of manual unions. This reduces the capacity for central action by confederations, which in turn limits the capacity of unions to pursue strategy. They become more limited to specific bargaining goals for individual groups of employees, and therefore less capable of acting at the level of demands for general rights. The old manual unions were associated with a very clear agenda of social policy in nearly all countries. It is far less clear what is the general social strategy of non-manual and services-sector unions.

Some reorganization of institutions is possible to tackle this problem, as has been shown in Denmark (Due *et al.*, 1994). A recent restructuring of unions and employer associations better reflects the new occupational structure, and less weight than in the past is placed on a centralized bargain in the manufacturing sector to secure overall order. One consequence of this is a considerably lower level of co-ordination than in the past, but that was inevitable. A role for organizations in monitoring developments in the labour market has been preserved. Similar changes have recently been executed in the Austrian, Dutch, Irish and Norwegian labour markets. In a crisis employer and employee organizations in these countries therefore remain capable of shaping changes in terms and conditions of employment through dialogistic means partly external to the market. This may become particularly important in some countries after the introduction of a single European currency. This will remove from national governments the ability to adapt to asymmetric external economic shocks by devaluing the national currency, in principle leaving major deflation as the only means of avoiding inflation and regaining competitiveness. Dialogistic labour markets where central organizations have retained some strategic capacity would also in principle have the ability to make direct wage adjustments in order to avoid the need for this.

Where some residual scope for central co-ordination is retained it also remains necessary for governments and employers to include labour representatives in discussions of economic adjustments; without that labour can lose its voice entirely in the politics of the economy. This is particularly significant if one considers the earlier argument that some of the pressure of globalization is transitional. If that is so, it would be rational for those committed to the defence of particular institutions to protect the form of the institutional design at the expense of substantive gains — in particular by sacrificing wage increases. Levels of living can be restored by an incremental process; the restoration of rights is a more difficult task that requires strategy. Indeed, in even a shorter term the choice may not be a zero-sum one. Declining security leads to declining consumer confidence, which further depresses economic activity and therefore wages. However, only a strategic labour actor can persuade workers to adopt such policies. Left as individuals without co-ordination, individual workers are forced to seek short-term maximization in the labour market. If changes in employment structure destroy the co-ordinating capacity of trade unions, the ability of labour (though not of course capital) to act strategically in the face of its common problems may be permanently impaired. This tendency is further strengthened by the declining capacity of nation states themselves to act strategically in the global climate of regime shopping.

The scope for a union response

The future activity of trade unions will have to take account of these various changes and of the complexity of the overall situation. There will certainly be some excellent possibilities for skilled, rewarding work within the new technologies, and within occupations, such as those in the caring professions, where the scope for replacement of human labour by capital is more limited. There will certainly be some disastrous instances of job loss — quite possibly enough of a net loss to make it impossible in anything like the foreseeable future to return to what the post-war world understood as full employment. Unions therefore need strategies that will enable them to do three things: first, to take maximum advantage of the optimistic scenario, to try to ensure that as much of the work-force as possible is able to enjoy opportunities for creative and rewarding jobs and that unions have a role in representing their interests; second, to ensure that these new possibilities are used in ways that maximize human gain and opportunities for participation, rather than simply enhancing the power of managers and employers; and third, to cope with the implications of the virtual certainty

that there will be an inadequate number of job opportunities of this kind. I here concentrate on the industrial relations aspects of these wider problems.

The most important examples of optimistic possibilities concern Japanese work methods, which do not fit easily into any western stereotypes (Dore, 1986; 1987). Since the early 1950s Japan has had, in its great companies, a system of life-time guaranteed employment in exchange for total worker commitment to the company. There is considerable debate about the origins and significance of this approach, but only one point concerns us here. Because Japanese employers believe they can both trust and secure the co-operation of a large core group among their employees, they are prepared to relinquish some of the controls of individual performance associated with Fordism. They can therefore give these workers flexible roles where they will be expected to break with strict Fordist rules about the division of labour and to exercise a variety of different skills. Further, bonuses can be calculated for groups rather than individuals, leaving it to the groups to organise themselves for the work. This enables Japanese firms to make use of versatility, flexibility and a variety of forms of work organisation in a way not available to employers and employees locked in mistrust, where management's main concern is to define a work process such that the employees cannot cheat it, even if it is sub-optimal in its use of the workers' talents and in the variety of work-organization forms it makes possible.

To the extent that unions have historically thrived within a context of Fordism and Keynesianism, this could seem to be bad news. The development of company loyalties and strong worker commitments to their jobs, and government economic intervention that consists mainly in working alongside industry associations may not seem attractive to traditional trade unionists. But they need to develop ways in which they can gain from the idea of workers' company loyalty. If the most lively economies in future, the ones avoiding the low-standard route to competitiveness, will require a commitment by workers to their employing organizations, then employees, and political forces claiming to represent them, stand to gain from workers at all levels acquiring a new post-Fordist professionalism, a dedication to working skilfully and hard in ways that enhance their value and reduces their disposability. In a world where identities and communities are collapsing, the firm, the employing organization, will probably become increasingly important to many of us. The fundamental point for industrial relations strategy is that if company identity is to be so important within a society, it must be a shared identity that comes within the scope of democracy, and not one that belongs to management alone.

The participatory company

Attention must therefore be paid to the place of employees within the company. Even modern, participatory firms remain in most cases managerial dictatorships, in which decision-making is retained in a small number of hands, power concentrated in managerial ranks. Even if there are elaborate consultative exercises, they are controlled, managed and surrounded by public relations propaganda. And we are living in an age when the managerial elite is newly aggressive and ambitious in its claim for pre-eminence, reward and unshackled power. Judged as communities fit to attract the loyalty of the intelligent adult citizens of a democracy, firms are unacceptably primitive — unless some means is found for autonomous representation of employee interests, those interests being defined to include commitment to work, skill and the goals of the company. Something of a contribution to spanning that difficult gap is to be found in the German and Austrian works councils, and in particular in the role that unions often have in advising and assisting works councillors in meeting the challenges of participating in human resource management exercises. Note that it has to be a participation aimed at improving production, not just a defence of workers' limited interests. The German unions, and especially IG Metall, have seen in a combination of their co-operation with works councils and the role of highly skilled workers in the German economy the basis for a distinct German alternative to Japanese methods (Jürgens, 1989; 1991; Hans Böckler Stiftung, 1992).

Looking at this issue in a different way, there is a curious asymmetry in the current managerial model of so-called participatory firms that try to exclude a union role. On the one hand stands management, informed by the whole science of the world's management schools, able to buy all the expertise it needs. On the other hand stands a group of employees and what they happen to know — which is largely what management has told them. If one were genuinely trying to maximize the gains that might come from interaction between managers and workers in performing a firm's tasks, one would never design such an information asymmetry. If management gains by maximizing the quality and quantity of advice available to it, employees must gain by acquiring similar access.

This signals the new role for trade unions: as sources of information and advice for employees on how to contribute more effectively to their work, and on formulating alternatives to proposals coming from management which may often maximize managers' particular interests rather than those of the organisation as a whole. In many countries unions are in no position to perform such a role. They lack both the expertise and the institutional role. Even the German unions, which — albeit indirectly

through works councils — have both, find it difficult to keep pace and avoid being pushed out by management.

Renewing collective bargaining

Despite the apparent changes of the 1980s and early 1990s, we still need to look at structures for collective bargaining. The more the company becomes a focus for social identity, the more urgent it is that unions, probably alongside a works council structure, reconstruct themselves and their approach to their members' skills. However, the over-riding framework is no longer likely to be the national solidaristic one that Scandinavians built and benefited from for so many years. In the new economy employees are increasingly members of small groups, each defending their own professional identity, potentially against each other. Beneath this however there can continue to be, provided it is expressed, an underlying unity about the role of labour and its dignity, and in administering a decent labour market policy.

Further, we have never enjoyed, and cannot have, an economy with both strong trade unions and a good trade-off between inflation and unemployment unless there is some disciplined self-regulation. This would now be even more difficult to achieve in many countries than in the past. To secure any co-ordination there need to be national arrangements ensuring the concentration of bargaining periods into a short period of time, as occurs in Japan. This forces bargainers to take note of what each other is doing and therefore become aware of the impact on labour costs at the national level. The neo-liberal policy of deliberate disaggregation of collective bargaining, especially in the public service, is therefore the opposite of what is needed. The strategy of market-sensitive labour markets only works if we assume a long-term future of precarious employment, with rapid adjustments of demand and supply. This assumes a low skill requirement so that demand is for general labour rather than specific skills that can become scarce; and arrangements for easy hire and fire, with working hours rapidly adaptable from short-time to far too long in line with the rapidly shifting needs of what would remain a short-term economy. The rival strategy assumes skill, security and shortage. Without basic discipline that fails.

Flexibility with security

It is necessary to find ways of maximizing the possibilities for flexibility in the use of labour without exposing individual workers to levels of insecurity that both cause stress to their daily lives and depress their consu-

mer confidence. It is important to establish a strong floor of security rights that prevents employers from forcing low-paid employees to bear the awful burden of a constant fear of unemployment. The modern capitalist economy needs ordinary working people to have the confidence to take on major financial commitments, to buy houses or apartments, to bring up their children in security and stability in a society that largely lacks the stability once provided by settled communities. The centrality of these needs are lightly forgotten by employers wanting to make their own difficulties a little easier by readily making people redundant.

Legislation and collective bargaining need to make it easy for employers to do things that increase flexibility while not threatening individual security. Recent adaptations of labour policy in the Netherlands, initiated by the government but then negotiated and adjusted through the bipartite *Stichting van de Arbeid* (1997) have been attempting to do exactly this by providing legislative frameworks for various kinds of "atypical" employment (Visser and Hemerijck, 1997).

For example, the trend to sub-contracting being adopted by nearly all major companies has considerable potential for reconciling flexibility with security. While individual companies may need to adjust their use of such services as cleaning, security and distribution from time to time, a sub-contracting firm specializing in some of these areas will probably find that, outside major recessions, a decline in contracts from one firm is compensated by a rise elsewhere. Sub-contractors could probably therefore offer secure contracts to their own staff while being able to adjust the quantity of labour supplied to individual client firms. In some cases major business service companies do this already, but many do not. It remains a sector dominated by "cowboy" firms with poor working conditions. By and large these firms operate outside the scope of public policy; no-one cares what happens to them, and government rarely asks what they would need to become better employers. Were the labour movement to change its attitude to sub-contractors, it would probably find that there were many ways of bringing them "out of the cold".

Similar arguments apply to franchising, which is becoming an increasingly important means whereby firms, especially in retailing, can have many outlets without employing staff to run them. At its best franchising provides flexibility to the company concerned and some of the autonomy of self-employment and entrepreneurship for the franchisee; at its worst the latter has all the insecurity of self-employment but also all the hierarchical control of employee status. Some franchising arrangements are capable of providing rights and some basic guarantees to franchisees. These cases should be studied and an attempt made to impose conformity with their models of best practice on the system as a whole.

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