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***Work and Labor in Global Economies.
The Case of Western Europe***

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I wish to thank Robin Stryker, Gabriele Ballarino, John Geary and Paolo Perulli for their useful comments on an earlier draft.

The conference theme (Work and Labor in the Global Economy) highlights the impact of globalization on two processes. First on how **work** is regulated, namely contracted, organized and rewarded in labor markets and in workplaces. Second on how **labor** as a collective actor can (still) play a meaningful role in industrial relations, the economy and politics. These two issues are obviously related. In the first part of this talk I will examine the new trends in the regulation of work brought about by globalization. In the second part, I discuss their implications for the strategies available to organized labor. To make generalizations more empirically sound, I will confine myself to the advanced economies of Western Europe, where labor as a collective actor has long played a major economic, social and political role.

Let me first offer an overview of my general argument. Many have observed that, in European advanced economies, **collective action** is subject to increased challenges. However, my thesis is that this trend should not be confused with the abandonment of **negotiation** as the dominant style of work regulation and of employment relations – an abandonment that is not, I maintain, generally taking place. This distinction has major implications for the alternatives open to organized labor in Europe. In fact, those analysts that incorrectly assume a massive return to unilateral authority in the regulation of work (or, for that matter, widespread adoption by management of employees' involvement policies as a substitute for negotiation) indirectly provide justification for merely defensive reactions by organized labor – namely, reactions based on mobilization as a means to strengthen identity and to increase its capacity for interest representation.

What is actually taking place in most European economies (the main exception being Britain) is **not**, in other words, an employers' attack on negotiation as the key normative source in the field of work. Rather, it is the growth of individual or small-group forms of bargaining on the one hand and of tripartite agreements on the other – namely of forms of negotiation different from traditional collective bargaining, that reflect the changing interests of key segments of the workforce, as well as the changing role of the state.

In the second part of my talk, I will show that this observation has major implications for the alternatives open to organized labor in Europe. The main implication is that trade unions cannot halt this process – namely, the decreasing relevance of the traditional collective dimension in industrial relations – by staging a defensive reaction against the supposed attack by management on labor. They can instead hope to reverse it only if they can convince **both** their members **and** employers that collective action and the collective representation of interests may be the best solution to their respective problems. And the only way they can do this is by focusing on the positive functions that they can play in economic development, namely by organizing workforce cooperation, by contributing to its skill formation, by coordinating wage dynamics and by enabling labor markets to

work more efficiently. These are not issues on which they can successfully mobilize workers and so indirectly influence employers and the state – the typical sequence by which labor movements became strong economic and political actors in the past. Rather, they can try and use the legitimacy acquired by making a positive contribution to economic development, namely by providing a collective good, in order to simultaneously increase their recognition by employers and enlarge their ability to represent interests.

After this brief overview of my general argument, I now turn to its main analytical parts.

1. The changing patterns of work regulation

Let me start with a basic typology of the possible patterns of regulation of work. I shall use it to discuss trends and differences on the basis of a shared set of concepts¹.

[Table 1 here]

On the vertical axis, I consider the three different types of actors that may regulate the work relationship. First we have individual actors: typically, employers who have direct relations with employees. Then come collective actors: again, typically trade unions that try to regulate work vis-à-vis firms or employers' associations. Finally the institutional actors, namely the various state institutions that regulate the work relationship either directly or together with interest associations. Each of these types of actors may use a different “style” of regulation, ranging from unilateral authority to the search for a compromise between opposite interests, to cooperation, by which I mean a focus on common interests above and beyond partisan demands.

Of course, the resulting nine patterns of work regulation were not equally widespread in all national contexts and time periods, hence they may not be equally easily understandable. However, I will later show how working on this typology can help us detect widely-held wrong views on current trends. And I shall also use it to highlight the actual directions of change, with interesting implications for the future of organized labor.

[Table 2 here]

Table 2 shows the rise of collective bargaining as the dominant mode of work regulation under fordism. While the patterns of work regulation in the left column predominated in the pre-fordist period, the diffusion of fordism led to their gradual abandonment. True, not everywhere did unchecked managerial authority give way to collective negotiation, but it was increasingly seen as a remnant from the past. Even more so was associational regulation, by which I mean those historically limited cases in which labor organizations unilaterally set some of the terms of

employment. For instance, the closed shop clause was kept alive in only some parts of US industry; and only a few trade unions (the typographers in the US, the longshoremen in various countries) were still able and willing to dictate the conditions under which labor could be contracted to employers. Finally, the use of legislation to regulate work was, at least in Europe, increasingly confined to a few general issues, such as the duration of the working week and basic workers' rights, or, in some cases like France, the minimum wage².

Collective bargaining emerged as the most efficient method to regulate work under fordism-taylorism, since the workforce was highly homogeneous and its interests and demands could be dealt with collectively. Also, it was preferable to the use of unilateral managerial authority because it did not incur the latter's problems of legitimacy and consensus. And it was preferable to legislative regulation because it could be far more specific and could adjust to the enormous variations among industries and firms.

On the other hand, different forms of cooperative action were used in a few countries to supplement and reinforce the predominance of collective bargaining. In the industrial districts of the Third Italy, for instance, informal cooperation and direct employee participation in the day-to-day management of small firms were all but incompatible with collective industry agreements that regulated all the main aspects of the work relationship and usually involved periodic outbursts of conflict. In German large companies, the scope for cooperative relations were formally regulated by the codetermination laws, which again did not infringe on the key role of collective bargaining at the industry level. And in some small European countries, namely in Scandinavia and in Austria, periodic cross-industry negotiation by encompassing labor and employers' confederations took place within a context characterized by diffuse social concertation, in which the state played a crucial direct or indirect role.

We do know that the fordist regulation of work has long lost its predominance, but there is far less agreement on the actual directions of change. More importantly, the most widely-held views on such change are, in my opinion, basically wrong and don't capture the real challenges facing organized labor. To discuss this point, I can at last step out of the realm of received wisdom and enter the world of more sophisticated, though questionable, interpretations. Of course such interpretations are based on various pieces of evidence from comparative research and country studies. But here I can only develop the arguments, without direct reference to such evidence.

¹ This typology is different from the one recently suggested by David Marsden (1999), as the latter refers to a somewhat different phenomenon, the "employment system".

² In several European countries, on the other hand, legislation became a quite important instrument to regulate industrial relations, as opposed to work; namely, the rights of interest associations and the rules for their interaction.

Let me start with what I see as two basically wrong – though very popular – views on recent trends in the regulation of work. As I will argue below, one reason for spending some time on what I see as wrong views is that they have been implicitly associated with the “varieties of capitalism” literature, which has given them a legitimacy that they don’t deserve. More importantly, however, these arguments imply the almost inevitable decline of organized labor in Europe – which in my view is an unwarranted conclusion.

[Table 3 here]

The two sets of arrows that lead away from collective bargaining correspond to what we might call respectively the “pessimistic” and the “optimistic” views (from the vantage point of labor) of the implications of the decline of fordist regulation.

Pessimists see a generalized attempt by firms since the 1980s to restore unilateral authority in workplaces and the labor market; an attempt that can be partly countered by the law and public policies, at least where pro-labor governments are in office. This view attaches a great deal of importance to the weakening of trade unions during that decade almost everywhere in Europe, which is partly explained by many employers’ willingness to bypass the unions’ role as key negotiating partners in the regulation of work. The growth of non-standard forms of employment was another major challenge for European unions. In most cases the latter responded defensively, focussing on the protection of “insiders” and leaving the regulation of these new forms of employment to management, especially in services. According to this first wrong view, therefore, the re-regulation of work in the post-fordist period is an attack on labor as a collective actor, namely as a countervailing power to managerial authority. In the short run the only way to counter this attack would be reliance on legislative and political regulation. But in the long run collective bargaining will supposedly regain its key role as a method of work regulation if the trade unions can extend their sphere of representation to cover sectors of the workforce currently victims of unilateral authority. Actually, the only European countries where exclusionary practices have long prevailed are Britain and Ireland, but this first view is often extended to Continental Europe as well, although non-union firms continue to be a minority there.

Optimists, on the other hand, believe that post-fordist companies crucially need their employees’ active cooperation and that they cannot just rely on the reaching of compromises between interests that remain distinct and opposed, as in traditional collective bargaining. In the new modes of production, what used to be a “labor force” under the control of supervisors is increasingly seen as “human resources” whose contribution to firm efficiency should be fully encouraged. According to this second view, therefore, the post-fordist style of work regulation places less emphasis on finding agreements between the “two sides”. Instead, it tries to foster employees’ cooperation, their sharing

of tacit skills and identification with the company as a community. Where unions are strong, cooperation may take the form of frequent consultation, joint committees or even legally-regulated codetermination, like in Germany. At the macro-level, diffuse social partnership does not even require explicit tripartite agreements or “pacts” which imply formal negotiation and a political exchange of benefits. Rather, it becomes a mode of policy-making in which the social partners are constantly involved under the direction, whether open or hidden, of the state.

These stylized views of pessimists vs. optimists might seem artificially set up as straw men to be easily knocked down by my criticism. To some extent they are, and as such they would not be worth much discussion. As I said, however, in a far more sophisticated way, they have been incorporated into a very important stream of political economy literature, the “varieties of capitalism” one. To be sure, the basic typology of capitalisms in this literature is not built primarily on the work regulation dimension. It is based on other institutional variables like the financial system, the labor market and welfare regimes, the education and training system. Yet, anyone familiar with this literature can easily associate my stylized description of the pessimists’ view with the “liberal market economies” (LME) variety of capitalism, and the optimists’ view with the “coordinated market economies” (CME) or “non-liberal capitalism” (Hall and Soskice 2000; Streeck and Yamamura 2001). I am not maintaining that this was what the main proponents of the “variety of capitalism” perspective set out to achieve. What I am suggesting is that they have implicitly encouraged the association – which is often proposed in descriptive accounts of national cases – between the two opposing trends in work regulation outlined above and the two main models of capitalism. In so doing they have provided these basically wrong arguments with a stronger legitimacy than would otherwise be the case.

What are the implications of these wrong views on the role of organized labor in globalized economies? One could easily argue that, if work can be regulated unilaterally without giving rise to the traditional problems of legitimacy and efficiency, then the distinctive intermediary role that organized labor played in the fordist period is inevitably bound to decline. Trade unions might resist loss of their key function, or they might try to develop new tasks, but their decline would be irreversible.

But one might argue that trade unions are at high risk even in those settings where employers desperately need their employees’ active participation, and seek to involve their representatives in cooperative relationships. In fact, a permanent shift from negotiation to stable cooperation, a breakdown of the institutional separation of collective bargaining from joint workplace governance, may weaken their identity. Workers’ collective identity, like all identities, is reinforced if it is periodically mobilized against an enemy. It needs opposition, whether by conflict or by bargaining,

against another collective identity. Should, however, identification with the employer permanently prevail, should concern for the common interest prevent trade unions from pursuing partisan interests as well, then the collective identity on which European organized labor is based would be at risk. In fact, even European workers might, sooner or later, turn their back on unions and become supporters of the well established trend in the US towards a form of “shared capitalism”, whereby both workers and management share financial risk as well as rewards and decision-making authority (Freeman 2000).

So both the views I have discussed imply an almost **inevitable** decline of organized labor – an implication that in my opinion is both analytically unjustified and not supported empirically. On a prescriptive level, too, the implicit association of these contrasting views with the “variety of capitalism” literature has implications for organized labor. A cooperative style of work regulation at the micro- and macro-levels can obviously yield greater and more stable benefits to employees than can unilateral action by either management or the state. Consequently, labor is implicitly encouraged to support the working of coordinated economies, if for no other reason because it is better off than in liberal economies. This prescription may take several forms, ranging from labor support to the institutions typical of this model of capitalism, to incentives to firms that follow a “high road” to competitiveness. I will not take issue here against this type of suggestions. To some extent I share it myself and have advanced it on several occasions. But if the underlying assumption of what the current trends are is at least partially wrong, then also prescriptions, not just analyses, should be revised.

But what is wrong with the two dominant views that I have described, in the first place?

[Table 4 here]

Several country studies, as well as much comparative research in political economy and industrial relations, do not suggest a consistent trend **away from negotiation** – a method that prevailed historically because it relies on joint decision-making to overcome the problems of legitimacy and efficiency that arise in workplaces as well as in several areas of economic policy. On the other hand, they show a powerful trend **away from the traditional collective dimension** of bargaining; more generally, 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.

Let me clarify this point. Typically, collective bargaining in Europe was conducted at the industry, multi-employer level, although cross-industry negotiation was also common, especially in Scandinavia. The process of bargaining decentralization to the firm, plant or workplace level that took place everywhere from the 1980s on, whether in organized or unorganized ways, has been

widely documented and discussed (Katz 1993, Traxler 1995). However, even workplace-level bargaining, that today predominates in Britain (not to mention the US, Australia or Japan), involves a collective dimension of interest representation and action, although such dimension is “collective” at a lower level, and the works councils come to play a more important role vis-à-vis trade unions. So, when I refer to a trend “away from the traditional collective dimension of bargaining” I am not thinking solely or especially of the generalized process of decentralization, nor of the frequent inclusion in collective agreements of so-called “hardship clauses” that may undermine centralized provisions.

Within this wider process, several countries are, in addition, experiencing a growth in individual (or small-group) ways to regulate the employment relation at the expense of collective bargaining. For instance, Denmark and The Netherlands are experimenting a “multiple choice” or *à-la-carte* system, that allows employees to opt for either collective agreements or individual contracts. According to this scheme, they can customize the type of protection they want to enjoy during a given period of time (Biagi 2002). More generally, as such incentives as pay-for-knowledge, skill premiums, gain sharing systems spread, any collective pay agreements increasingly serve as just framework agreements on minimum pay (Katz 2002).

To understand the reasons for this **de-collectivization of bargaining**, the common distinction between resource-rich vs. resource-poor employees becomes especially relevant. In fact, the decline of collective action has much more to do with the relative growth of the former (the employees with high market power) than with a willingness by employers to go back to 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 labor 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. The advantage of collective action over individual bargaining was of course, for trade unions, that their organizational skills and the sheer number of people organized could be turned into key resources to counter employers’ market power. But 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 actual major trend in European employment relations is away from collective and towards individual or small-group bargaining, the consequences should be rather clear. Unlike the assumed shift from negotiation to unilateral action, which could be largely attributed to the employers’ assault on union prerogatives, the current trend requires a more sophisticated explanation. The decline of collective bargaining and the corresponding rise in individual bargaining of various

aspects of the work relationship is **not** being simply forced by employers on reluctant workers, whose willingness to organize collectively is supposedly frustrated by an authoritarian management. Rather, it is the outcome of structural and cultural changes that affect employers and employees alike, so that the trade-off between individual and collective action is rapidly shifting for both of them. Irrespective of the variety of capitalism in which these actors are embedded, their traditional assessment of the pros and cons of collective action is increasingly questioned. A growing number of employees with high market power are tempted to defect from collective action. And this is at the same time when many companies come to see their internal labor markets more as a loose network of individual positions than as a structure that can be governed by some general rules.

Let's now consider briefly the opposite trend. In the last decade or so, in several European countries the key role of collective bargaining as a method of work regulation has been overshadowed by a diffusion of tripartite social pacts, often under the direction of governments or other institutional actors, rather than by a growth of individual bargaining. This shift away from the autonomous regulation of work by collective representative associations towards an enhanced role for institutional actors, rather than individual ones, has not taken place everywhere; but it has been widespread and consistent enough to draw the general attention of scholars and policy-makers (see for instance the European Commission's First Report on Industrial Relations in Europe, 2000). In some cases, the primacy of tripartite social pacts has not impeded recourse to individual bargaining as well, but it has certainly gained the center-stage.

During its heyday, efficient collective bargaining implied highly representative and well-organized interest associations, able to mobilize their respective members and, by demonstrating this ability, to force their often reluctant partners to grant them recognition. Neither individual bargaining, nor tripartite social pacts for that matter, imply such prerequisites. Actually, tripartism may develop precisely where social partners are too weak or ill-organized. Or it may arise where the rules to institutionalize their relationships are too underdeveloped for efficient negotiation between them to take place without (often covert) guidance by state institutions. This has been the case of The Netherlands and Ireland in the late 1980s, and of Italy and Spain in the 1990s. Institutional actors may then persuade, threaten or help the partners to reach agreement. In a sense, successful social pacts require a sense of shared emergency, because only when an emergency must be dealt with, do collective actors agree to share their "field" of autonomous action with the state. Precisely for this reason, they are highly unstable.

2. Implications for organized labor in Europe

Let me now turn to the second part of my talk. The trends that I have discussed so far have major implications for the strategies of organized labor, at least in Europe. In this second part, in fact, I will argue that the decline of organized labor is not inevitable, and I will use the typology and the tables presented above to guide my discussion. These tables, and the optimists vs. pessimists debate, show why people have begun to think that the decline of organized labor is inevitable. In this part of the talk, I will try and show that it is not. More specifically, I will discuss what organized labor can do to ensure its continued good health; namely, the new role required of it to serve its core constituencies and the economy and society in today's post-fordist and globalized context.

If the shift towards individual bargaining is not just the outcome of a change in power relations in favor of employers, but reflects the interests of growing groups of employees as well, then trade unions can hope to halt or even reverse it only if they can convince **both** these members **and** employers that the collective representation of interests and collective action are a better solution to their respective problems. This is of course not an easy task for any trade union. For a few of them, reliance on social pacts may serve to strengthen their role as key collective actors, but we have seen that social pacts have their limitations, too. Let me develop these implications as a broader conclusion to what so far has been mainly analytical discussion.

A useful starting point may be the widespread argument that trade unions have generally become weaker in the last two decades (e.g. Visser, various years), because employees' propensity to join has decreased almost everywhere, at the same time as the reorganization of production and the fragmentation of labor markets have restricted the unions' traditional sphere of representation. As their ability to effectively represent workers has decreased, so the argument goes, also the unions' bargaining power vis-à-vis employers, and their influence in industrial relations and economic policy-making more generally, have diminished. Employers (and several governments) are growing more determined to restrain the role of a weakened organized labor in the economic and political spheres.

Prescriptions for trade union strategy follow rather easily from this very simple analysis. European unions – this is the almost unanimous suggestion – should try to regain their representative functions by getting closer to their traditional rank-and-file needs and, especially, by mobilizing to extend the protection standards they won for their members long ago to the “outsiders” in the labor market. Only such an extension of their sphere of representation will enable unions to resist pressures for the further deregulation of labor markets and industrial relations.

This general recipe overlooks the fact that the greatest threat faced by organized labor in advanced economies is not its inability to represent the weaker and more marginal sectors of the workforce.

Rather, it is the widening gap between its traditional strategies and the interests and demands of the core sectors – the more highly skilled, and the employees with greater market power in general.

These groups are the target of often sophisticated human resource policies set in place by management, and they are obviously those most tempted to abandon collective action and pursue individual bargaining – which would deprive trade unions of the ability to speak “on behalf” of the key sectors of the labor force, and often their core membership as well. Hence, it is **these core groups** that trade unions should convince of the superiority of collective action. And it is in regard to these core groups that **companies** should be persuaded that collective bargaining is still the most convenient method of work regulation, when they assess its pros and cons. But organized labor will find it difficult to meet this double challenge if it sticks to its old strategy of trying to strengthen its traditional members’ loyalty and if it seeks to enlarge representation in the first place, to acquire greater influence on and recognition from its partners at a later stage.

Let me then try to reverse the logic of traditional analyses and prescriptions. Comparative analyses show that, in the last two decades, organized labor has remained a powerful actor (above and beyond any simple statistical indicators of “union density”) where it has been able to give an active contribution to national economic development. Where trade unions have shown this ability, they have also been in a position to get, directly or indirectly, benefits for their members, as well as social legitimacy. They have thus been able to maintain their key representative role, or at least their claim to speak on behalf of a wide sphere of interests and social groups, even when this claim was not supported by high unionization rates. To mention only well-known examples, everybody would agree that German trade unions are more powerful than the British ones are, though they have long had a lower rate of unionization. And the Dutch or even the Spanish unions have come to enjoy a high degree of influence and can claim to effectively represent workers in spite of rather low unionization rates, because their active contribution to economic development is widely acknowledged. The French unions have instead remained very weak because their economic role is marginal.

By “giving an active contribution to national economic development” I mean the ability to perform functions useful for the productive system and economic governance, which at the same time benefit the wider society and thus provide organized labor with social legitimacy. It is not easy for trade unions to combine this ability with the continued protection of the interests they represent. After all, historically they were born to accomplish the latter task, not a wider societal mission. Nor is it easy for employers to appreciate the positive contribution to development that can be provided by trade unions, which they have learned to regard as mere rent-seeking bodies that constrain their authority in organizing production. Though most unions do have this double nature, employers are

more ready to focus on the latter than the former. Paradoxically, unions often find themselves obliged to force their role on reluctant employers, even when such role has beneficial effects on the economy (Streeck 1994).

Making an active contribution to economic development, then, is all but easy for organized labor, caught in the double bind of meeting its rank-and-file basic demands on the one hand, and convincing its private and public partners that it is a resource rather than a constraint, on the other. When it succeeds, however, labor can influence the choices of both companies and public institutions. In these cases, trade unions get stronger because they can bring their members' demands to bear on such choices, while they can also provide companies with the cooperation they need. Unlike in the historical periods when unions built their power on the ability to lead collective mobilization, I maintain that it is now their acquired influence on companies and state institutions that allows them to keep their capacity for representation, not the other way round.

What, then, is the active contribution that organized labor can give to economic development, and on which its chances of remaining a significant actor largely depend? Even in the fordist period, of course, labor collective action had a few beneficial, though unintended, effects on the economy – from sustaining consumption to fostering the innovation necessary to meet rising labor costs. With the decline of mass production, however, trade unions had a unique opportunity to move beyond their traditional distributive role. As Streeck noted long ago (1994), they could now play key “productive” functions, such as organizing the workforce’s cooperation and contributing to its skill development. More generally, in the new production systems, the industrial relations institutions themselves (trade unions, works councils, collective bargaining), initially designed to set constraints on companies, can also provide them with crucial resources and competitive advantages.

In fact, while they may severely restrain external and downward wage flexibility, they may also foster functional and working time flexibility to a great extent. And they may do so in ways that are usually more efficient than individual bargaining. Furthermore, these institutions may ensure not just the involvement of individual employees, but the cooperation of the whole workforce in the processes of constant innovation that characterize contemporary production – a unique asset for companies and a semi-public good for national economic development. Cooperation in workplaces has become crucial to firms largely for the same reason as the development of skilled human resources has. Both enable complex organizational systems, in constant need of an active contribution by employees to their maintenance and improvement, to function properly. That is to say, they allow for something more important than traditional “social peace” in production. While management in some countries and industries has pursued cooperation in workplaces by using methods of direct employee involvement, most European companies have been careful not to

bypass the role of trade unions. The collective representation of interests and demands may in fact be more efficient not just to negotiate aggregate solutions, but also to devise aggregate forms of cooperation and the joint management of the consequences of innovation. Moreover, an alliance with trade unions may be especially convenient to firms during periods of downsizing and deep industrial adjustment, when they need social legitimacy for their behavior, or even political support to get financial aid from public institutions.

Concrete examples are provided by Germany, Holland and Italy. In those countries, trade unions have not been just a factor of rigidity in labor markets and in work regulation, but they have played a typically ambivalent role – a constraint as well as a resource for companies – by coordinating wage dynamics, organizing cooperation, contributing to human resources development. These functions have greatly enhanced their social legitimacy and influence in their respective economic and political systems; and this in turn has enabled them to maintain their capacity for representation in spite of the deep labor market changes that undermine unionization.

Thus the unions' ability to perform useful functions for the productive system may be the key for them to demonstrate the superiority of collective action to both employers and their core members. But not dissimilar are the effects of their sustained participation in economic and social policy-making. This participation may partially counter the potential split between the interests of employees with high and low degrees of individual market power respectively. In countries where unions have scant influence on public institutions and public policy, employees with high bargaining power are more likely to defect from collective action because they feel little need for encompassing associations that represent aggregate interests. As to trade unions, they are more easily tempted to “represent less in order to represent better”, namely either focus on the collective protection of the weaker segments of the workforce, for which individual bargaining is not a viable option, or advance particularistic demands of the stronger groups. In both cases, encompassing unionism and representation of collective class interests, long regarded as key components of the European social model, would be at risk. However, where trade unions are key partners for public institutions and their participation in public policy-making is significant, collective action by encompassing organizations remains a rational alternative for all the groups they represent, even the ones with greater individual market power. It is only through the collective representation of interests and collective action, in fact, that workers – whether resource-rich or resource-poor – can bring their demands to bear on public policy decisions of key interest to them. The welfare regime, labor market regulations, the organization of further training, all depend to a large extent on the role that organized labor can and is willing to play in the public policy arena.

Of course, the participation of organized labor in policy-making has its problems, too, especially in the most recent period. In the early 1990s, social pacts in several European countries were driven by a shared sense of national emergency – especially the need to meet the convergence criteria that came to be known as the “Maastricht parameters”, in order to join the monetary union. These pacts involved little more than the strict incomes policies needed to lower inflation, and they only required the consent of a few central actors. For these reasons, they were highly successful even though they did not involve an exchange of particularistic benefits. The intended outcome was to lower inflation – which in turn helped both to preserve real wages and to meet the convergence criteria, namely to combine the social partners’ demands with a collective good.

In the late 1990s, however, the priorities of all the actors slowly changed. Success in bringing inflation and public deficit down made incomes policies less necessary, while poor labor market performance and heavy welfare expenditures became the main concern in several European countries. Liberalization of labor markets and welfare reform found their way onto the tripartite agenda, but they proved far more intractable issues than incomes policies, as recent experience in Germany and Italy shows (Hassel 2001). In fact, can trade unions keep signing tripartite agreements that do not bring clear benefits to their members without endangering their capacity for representation in the long run? I maintained above that organized labor may use social pacts as a way to get political and economic influence, and it may use this influence in turn to enlarge its sphere of representation. However, when such issues as labor market deregulation and welfare reform get to the core of the economic and social policy agenda, it becomes clear that influence can no longer bring concrete benefits, and unions are tempted to withdraw participation and to take a more adversarial stance, as recent developments in Germany and Italy suggest.

One way out of this *impasse* may be to enlarge the scope of social pacts by bringing in local actors and the local level (Carrieri 2000). Although trade unions can hardly gain benefits in the national policy arena in exchange for their participation in welfare reform, they can foster local development and help shape the social institutions required by the new forms of “competitive solidarity” (Streeck 1999). More than an exchange between the national and the local level, what may arise is a focus on diffuse processes of concertation involving several actors and several levels.

Let’s then have a look at my last table, which shows the possible scope for collective action in the new scenario and the self-reinforcing mechanisms by which organized labor can regain the role of a strong actor.

[Table 5 here]

First, the joint management of functional flexibility, skill formation and cooperation in workplaces demonstrates the ability of a trade union to play key “productive” functions, and this may decisively

enhance its influence and the legitimacy of collective action. Second, social pacts can reinforce the role of collective bargaining by redesigning the overall bargaining system (as was the case in Italy and partly in Spain); namely, by defining which actors are entitled to bargain over what and at what levels. But even where no such redesign is explicitly on the agenda (as in The Netherlands and in Ireland), social pacts may have an indirectly supportive effect on collective bargaining, in that they reinforce the mutual recognition of the social partners. Third, as I maintained above, though social pacts have their shortcomings, these can be partly offset by a diffusion of concertative policy-making at the local level. The practice, favored by the European Commission, of engaging in territorial pacts for employment and local development has often been seen as mainly symbolic politics. However, it has helped spread the cooperative games typical of concertation into wider areas of the economy. Also, it has made the overall costs and benefits of political exchange more difficult to assess, hence less likely to be questioned by the groups affected. Finally, diffuse concertation may be a functional substitute for formal collective bargaining in small-firm districts, or in areas characterized by a rapid growth of “new economy” firms³. In these cases, collective action takes a different form from the past, but the collective representation of interests is by no means made obsolete.

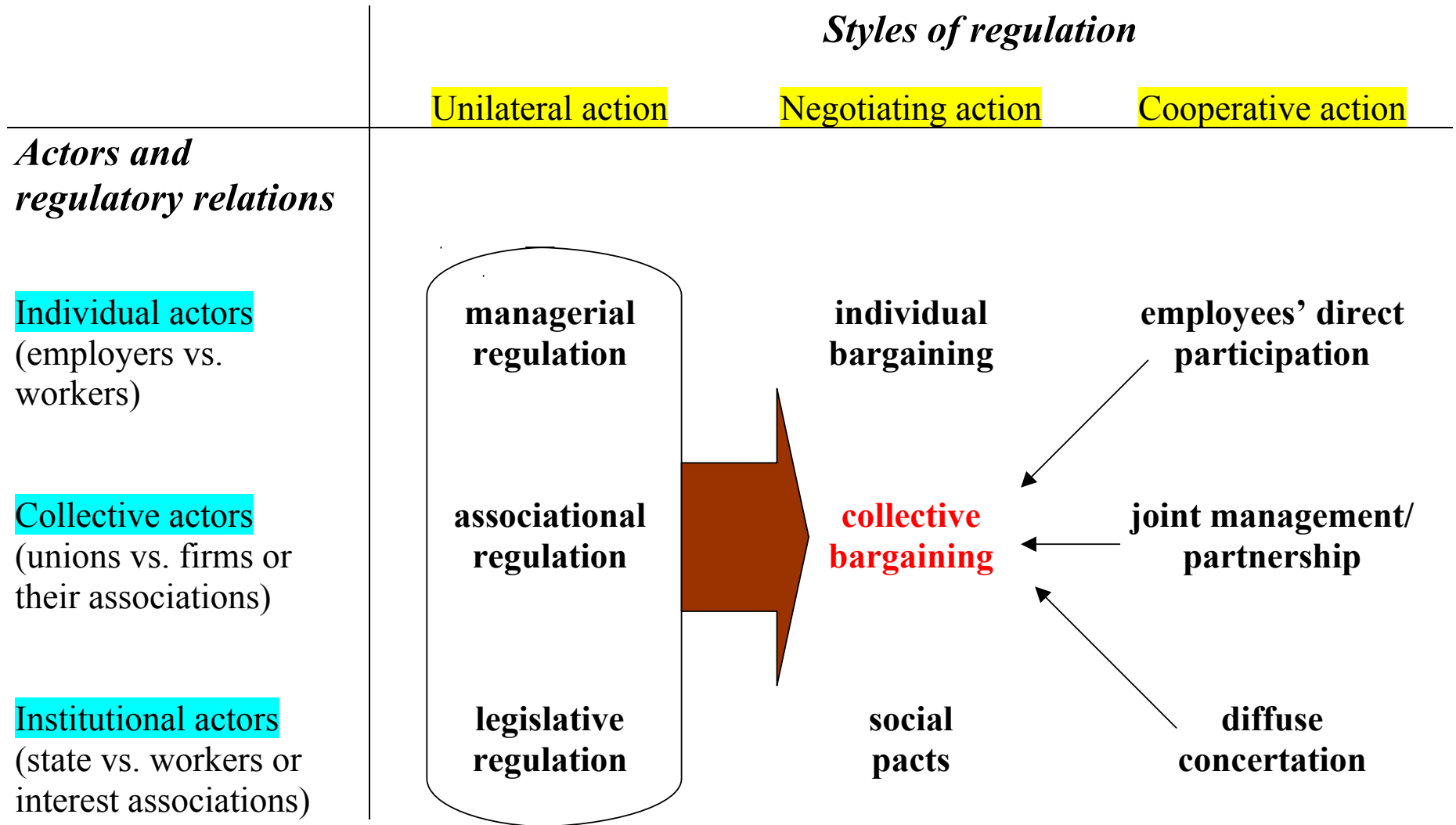
To the extent that there is a future for organized labor and collective action in Europe – and I hope I have showed that there is one – I maintain that it lies in mutual reinforcement among these four modes of work regulation.

³ I owe this observation to Paolo Perulli.

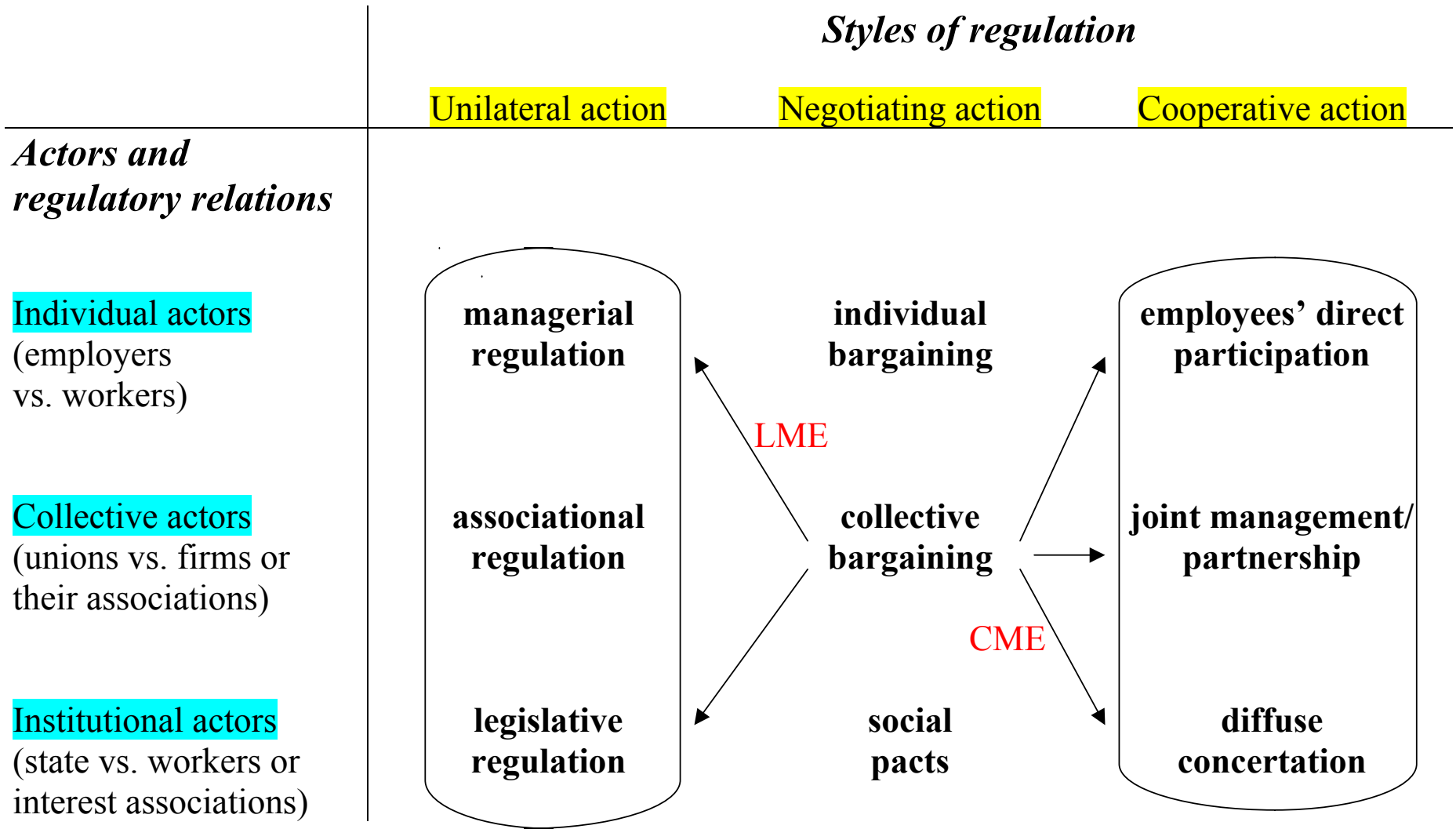
***Table 1. PATTERNS OF WORK REGULATION.
A TYPOLOGY***

	<i>Styles of regulation</i>		
	Unilateral action	Negotiating action	Cooperative action
<i>Actors and regulatory relations</i>			
Individual actors (employers vs. workers)	managerial regulation	individual bargaining	employees' direct participation
Collective actors (unions vs. firms or their associations)	associational regulation	collective bargaining	joint management/partnership
Institutional actors (state vs. workers or interest associations)	legislative regulation	social pacts	diffuse concertation


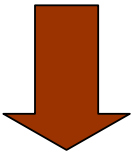
Table 2. WORK REGULATION UNDER FORDISM



**Table 3. WORK REGULATION AND VARIETIES OF CAPITALISM.
A WRONG VIEW**



**Table 4. WORK REGULATION IN EUROPEAN ECONOMIES.
ACTUAL TRENDS**

	<i>Styles of regulation</i>		
	Unilateral action	Negotiating action	Cooperative action
<i>Actors and regulatory relations</i>			
Individual actors (employers vs. Workers)	managerial regulation	individual bargaining	employees' direct participation
			
Collective actors (unions vs. firms or their associations)	associational regulation	collective bargaining	joint management/partnership
			
Institutional actors (state vs. workers or interest associations)	legislative regulation	social pacts	diffuse concertation

**Table 5. IMPLICATIONS ON ORGANIZED LABOR.
THE SCOPE FOR COLLECTIVE ACTION IN EUROPE**

	<i>Styles of regulation</i>		
	Unilateral action	Negotiating action	Cooperative action
Actors and regulatory relations			
Individual actors (employers vs. workers)	managerial regulation	individual bargaining	employees' direct participation
Collective actors (unions vs. firms or their associations)	associational regulation	<p>The diagram is a 2x2 grid with a grey background. The top-left cell contains the text 'collective bargaining'. The top-right cell contains 'joint management/partnership'. The bottom-left cell contains 'social pacts'. The bottom-right cell contains 'diffuse concertation'. Red arrows indicate relationships: a horizontal arrow points from 'joint management/partnership' to 'collective bargaining'; a vertical arrow points from 'social pacts' to 'collective bargaining'; a horizontal arrow points from 'diffuse concertation' to 'social pacts'; and a diagonal arrow points from 'diffuse concertation' to 'collective bargaining'.</p>	
Institutional actors (state vs. workers or interest associations)	legislative regulation		