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Keune, M.

DOI
10.1111/j.1564-913X.2015.00225.x

Publication date
2015

Document Version
Final published version

Published in
International Labour Review

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Citation for published version (APA):

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Shaping the future of industrial relations in the EU: Ideas, paradoxes and drivers of change

Maarten KEUNE*

Abstract. The author argues that Europe’s future industrial relations will be shaped by the resolution of three paradoxes embedded in today’s labour markets, unionization dynamics, and EU policy. The first is the increasing individualization of employment relationships versus fictional “individual autonomy” and workers’ growing market dependency and vulnerability. The second centres on the deterioration of job quality and precarious workers’ growing need for protection versus their low unionization and the failure of unions to reach out to them despite declining membership. The third is the EU’s current market-oriented stance, encouraging employment conditions ultimately conducive to a political backlash against the EU itself.

Elsewhere in this Special Issue, Richard Hyman outlines three broad scenarios for the future of industrial relations, which respectively envisage “going from bad to worse”, “elite reform”, and “a new counter-movement”. Which scenario will actually materialize in the coming decades in the European Union (EU) will depend to an important extent on a “battle of ideas” involving a wide variety of actors, including political parties, governments, international organizations, the European institutions, multinational companies, trade unions, expert organizations, social movements and employers’ organizations. Indeed, these actors confront each other with their beliefs and discourses concerning social justice, democracy, efficiency and development, as well as the nature of the relationships between these issues and how to translate them into policies (Serrano Pascual, 2009; Keune and Serrano, 2014). This battle of ideas does not take place in a neutral political space, however, and the dominance of certain ideas can be seen as an expression of asymmetrical power relations, rather than the victory of superior ideas over inferior ones.

* University of Amsterdam, email: m.j.keune@uva.nl.

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In the past couple of decades, even though differences between countries remain large, the EU has witnessed the growing dominance of a discourse based on a profound belief in market efficiency, international capital mobility, the autonomy of financial markets and individual responsibility for one’s own employment and income situation (Keune and Serrano, 2014). This view is propagated by the European Commission, the OECD, corporations and financial capital, and many experts; and it finds resonance among both liberal and social-democratic political actors. Across the EU, it has inspired labour market and welfare reforms aimed at activation, flexibilization and marketization, accompanied by growing income inequality, uncertainty and precariousness, as well as the erosion of social and labour rights (e.g. Nelson, 2013; Nolan et al., 2014; Clauwaert and Schömann, 2012). Alternative views like the Decent Work paradigm championed by the ILO have for now failed to challenge the dominance of this discourse seriously.

Obviously, industrial relations have not been immune to these developments. Part and parcel of the dominant discourse has been insistence on the declining relevance of the collective dimension of labour relations, on the need for decentralization or elimination of collective bargaining, and on downplaying the power inequalities and differences of interest between the parties to the employment relationship. And indeed, the balance of power between capital and labour has shifted in favour of the former: the wage share in GDP has been declining steadily and collective bargaining has been subject to a process of largely organized but increasingly also disorganized decentralization (cf. Traxler, 1995). In recent years, some countries have also seen the coverage of collective agreements shrinking because employers are abandoning their representative organizations (Germany) or because of drastic changes in legislation imposed by the so-called Troika¹ on countries in need of international financial support (Spain, Portugal, Greece). Moreover, trade union density has been declining steadily in almost all EU countries, feeding into arguments about the ongoing individualization of society, the desire and ability of the employed to manage their career individually, and skepticism concerning the relevance of collective labour relations. Trade unions are also consistently pictured as representing only “insiders” and having no interest in the losers of the reforms and structural changes that have taken place in recent decades.

Still, the dominance of this set of ideas does not demonstrate their intrinsic superiority. It primarily reflects the prevailing power balance. What is more, these ideas as well as the state of affairs they have fostered are fraught with paradoxes, contradictions and tensions that question their long-term sustainability. Below, I will first outline three major paradoxes, contradictions and tensions, and then argue that these can turn into drivers of change in the trajectory of European industrial relations.

¹ Namely, the EU, the European Central Bank (ECB) and the International Monetary Fund.
Individualization, market dependency and collective labour relations

Starting with the work of classic sociologists like Emile Durkheim which was further developed by contemporary scholars (e.g. Ulrich Beck, 1992), social scientists have long been arguing that individualization is a major characteristic of the development of Western societies. They observe that individuals have become less and less bound by traditional norms and values, have less interest in belonging to collectivities or a powerful and invasive state, and reflexively steer their own lives through autonomous decisions. Individualization has been accompanied by ongoing liberalization of Western capitalism (Streeck and Thelen, 2005) and is often put forward as a justification of the gradual metamorphosis of society at large into a market (Honneth, 2004). This is most apparent in the labour market and the welfare state where reforms are increasingly designed around an image of the individual as the autonomous entrepreneur of her own career. Such autonomy also implies individual responsibility for that career, whereas problems like precarious employment, unemployment and poverty are reframed as questions of personal competences and motivation, instead of collective concerns. Flexibilization and activation foster such responsibility; and “dependency” on the welfare state – i.e. on the collective – is increasingly turned into a pathology (Keune and Serrano, 2014).

There are, however, a number of contradictions in this view. One is that the autonomy of the individual in the labour market is to a large extent false. Indeed, the possibilities for individuals to influence their own situation and take responsibility for their fate are often overstated in this view, which also carries an unrealistic belief in the capacity of the market to produce beneficial outcomes for all (ibid.). Instead of being individually empowered and enjoying the freedom to build a fulfilling life based on individual capabilities and interests, most individuals have become dependent on the market and have no other option than to adapt to its demands, imposed upon them from outside, and which they cannot influence (ibid.).

Another contradiction of this view is that it obscures the asymmetry of power relations between capital and labour and depoliticizes the relationship between the two. Capable individuals are supposed to be able to defend their own rights and interests in employment relationships that are increasingly seen as relationships between equals: employers offer jobs, while workers can decide to take them or not, and negotiate their conditions of employment. In reality, however, power asymmetries remain firmly in place. In the world of activation, individuals are increasingly forced to take up any job available for want of an alternative source of income. Few have the capabilities and resources to negotiate as equals with employers, and vulnerability continues to characterize the position of workers. Their vulnerability is reflected in the growing number of those who have to accept precarious jobs and in the rising inequality of wages and incomes.
Collective labour relations and collective employee representation sit uneasily with such a discourse and are increasingly deemed anachronistic, as are concerns like social justice and solidarity. Such interpretations are reinforced by the ongoing decline of trade union membership in the EU. However, weaker employee representation increases the insecurity of individuals in the labour market (Crouch, 2014), and unions are important forces against inequality: declining union membership is clearly linked to increasing inequality (Wilkinson and Pickett, 2014). Besides, the decline of trade union membership should not be mistaken for declining support for collective representation or weakening demand for the protection traditionally provided by union membership (D’Art and Turner, 2008; Turner and D’Art, 2012). Survey data show that a substantial majority across Europe believes employees need the protection of strong trade unions and that this conviction has been strengthening since the early 1980s (ibid.). Even among young workers, notorious for their low unionization, an “unsatisfied demand for trade unionism” can be observed (Vandaele, 2012). The key point here is that the individualization thesis should not be reproduced uncritically and projected on collective employee representation. Indeed, when individualization is not accompanied by increased individual empowerment and autonomy, the importance of collective representation as a means of fostering social justice actually increases.

In spite of the continuing demand for collective employee representation, union membership has been under pressure for a variety of reasons, including failed union strategies, changes in the institutional environment in which unions operate, free-rider problems, and anti-union politics. There is no space to review these reasons in detail here. Suffice it to say that trade unions are experiencing more and more difficulties in responding to the demand for collective employee representation, in retaining their members, and in recruiting new members. Trade union renewal and organizing strategies may to some extent reverse this trend in the future, but without substantial state support and changes in the institutional environment, one should not expect too much from such initiatives (Ebbinghaus and Visser, 1999; Turner and D’Art, 2012).

Precarious work, trade unions and the insider–outsider divide

One of the key characteristics of contemporary capitalism is the pressure it puts on job quality, resulting in the growth of precarious work, i.e. jobs with excessive flexibility, bad working conditions, low wages, low voice and/or limited social security rights (Peña-Casas and Pochet, 2009; Greenan, Kalugina and Walkowiak, 2010). Declining job quality and growing precariousness, in turn, lead to increasing tensions on the labour market. This nexus will undoubtedly be one of the core industrial relations issues of the future and may become a source of major discontent and protest. To some extent, it originates in the introduction of new technologies and changes in the occupational structure of our societies (Castells, 2010). However, it primarily follows from conflicts
and choices in the political sphere and in labour relations (Crouch and Keune, 2012; Castells, 2010). Macro-level policies designed by national and European actors determine an important part of the institutional framework for work and employment, putting constraints to certain types of jobs and behaviour, and enabling others. Within this framework, then, choices are made by employers and managers as to their competitive strategies and the kind of jobs, contracts and employment conditions they offer. Individual employees and their representatives may be able to influence those choices or not, depending on their power and capabilities.

Paradoxically, although workers in precarious employment are the group that could potentially benefit most from strong collective representation, their rate of unionization is generally very low, much below that observed among “standard” workers. With low-quality jobs becoming central to labour market developments, resolving this paradox has become more of a priority. But where does the paradox come from? Orthodox economists have a simple answer, often phrased in terms of insiders and outsiders. Insiders are permanent, well-paid employees with good working conditions and high job security, whose dismissal is costly, while outsiders have low-quality jobs with low wages, weak protection against dismissal, flexible contracts and bad working conditions – when they are not unemployed (e.g. Lindbeck and Snower, 2002). The same economists claim that the interests of these two groups differ or even oppose each other (ibid.; Rueda, 2007). Insiders strive to defend their insider status and privileges, chiefly through strong job security, which protects them from dismissal and makes the entry of outsiders difficult; while outsiders want to make their entry into the labour market and better jobs easier. Since few outsiders are members of trade unions, the latter are considered to be organizations that defend the interests of insiders and ignore or even oppose those of outsiders.

There are, however, a number of problems with this economistic argumentation (Keune, forthcoming). One is that the division of labour market participants into two groups is simplistic: in real labour markets, differences between groups of workers are more a matter of degree. This also means that the distinction between workers that unions would represent and those they would not represent becomes unclear. Another problem is the mistaken belief that the interests of insiders and outsiders necessarily differ. Indeed, surveys have shown that both groups favour tight job protection, even if insiders do so more strongly than outsiders (Emmenegger, 2009). As a result, unions do not simply champion insider interests, but (deliberately or not) they defend outsider interests as well.

The orthodox economic view further claims that insiders benefit from the existence of outsiders because the latter provide the labour market with the flexibility it requires, thereby allowing insiders to remain secure. However, a growing segment of outsider jobs is likely to undermine the bargaining position of insiders as the former are used by employers to discipline the latter, forcing them to accept concessions concerning their employment conditions
(Eichhorst and Marx, 2011). Indeed, the growth of low-quality jobs is likely to lead to declining standards in insider jobs, so insiders too have an interest in the reduction of precarious work to protect themselves. Moreover, when the share of precarious workers increases while union membership declines, the precarious segment of the labour market may become of interest to trade unions as a new source of much-needed membership to ensure their own survival.

Finally, trade unions have a variety of functions and identities that often go beyond mere representation of the economic interests of their members: they can also be class actors opposing the capitalist system and societal actors representing the interests of society at large, i.e. including the interests of non-members and in particular of the weak (Hyman, 2001). Hyman shows that all real-life trade unions embody elements of these three actor-types and that their emphasis differs according to national and historical circumstances and trajectories. This suggests that they do develop strategies to represent outsiders and to improve the quality of their employment, possibly out of considerations of solidarity and social justice.

Indeed, unions across Europe have developed a wide variety of initiatives to curb the growth of low-quality employment and improve the conditions of precarious workers (Keune, forthcoming). Yet, the steady growth of precarious employment shows that they have not been very successful. This can be explained by two factors. One is the relative weakness of many trade unions and their consequent inability to counter employers’ strategies or government reforms. The other is that, even though unions may consider countering precarious employment to be more and more of a priority, their discourse remains to some extent symbolic as the actual resources dedicated to precarious workers often remain meagre, and organizing and other campaigns remain temporary (ibid.).

The EU and collective labour relations: From friend to foe

A third paradox centres on the industrial relations discourse and policies of the European Union in general and the European Commission in particular. In the early 1990s, the European Commission put industrial relations high on the European agenda, in a drive to lessen the dominance of economic integration and to strengthen the social dimension of the EU. Its discourse then continuously emphasized the key role of autonomous collective bargaining at all levels and workers’ participation in enterprises and organizations, as well as the importance of including the “social partners” in national policy-making processes (e.g. European Commission, 2002). It argued that this had positive effects on productivity, innovation, social cohesion, democracy and the design and implementation of social and economic policy. The Commission also fostered EU-wide social dialogue at the intersectoral and industry levels and institutionalized European Works Councils as workers’ participation bodies in European multinationals. In this way, it played a leading role in establishing a system of multi-level industrial relations in Europe (Keune and Marginson,
2013). It backed its position up by a series of measures and projects aimed at strengthening the role of social dialogue and collective bargaining as well as the position of employers’ organizations and trade unions.

In recent years, however, the position of the EU has changed dramatically. Its traditional discourse is increasingly trumped by a counter-discourse originating largely in the Directorate-General for Economic and Financial Affairs and in the ECB. This depicts collective labour relations, and trade unions in particular, as obstacles to strengthening market coordination and therefore to economic and employment growth. For example, the report of the Directorate-General for Economic and Financial Affairs entitled *Labour Market Developments in Europe, 2012* argued that the coverage of collective agreements should be decreased, collective bargaining should be decentralized, minimum wages should be reduced, and the wage-setting power of trade unions should be curtailed (European Commission, 2012, p. 104).

Far from being only a discursive shift, this view has also found its way into the policy-making process. For example, the 2011 *Euro Plus Pact*, signed by the heads of State of the Eurozone countries and six other EU Member States, proposes measures to strengthen competitiveness, increase employment and foster financial stability. These include abandoning wage indexation mechanisms, decentralization of collective bargaining, and wage moderation in the public sector – all areas in which the EU previously did not meddle and in which it has no formal competencies under the EU Treaty. What is more, the EU countries that are in deep financial trouble and request assistance from the so-called Troika are confronted with stringent demands in the area of industrial relations. In exchange for financial support, countries like Greece, Portugal, Ireland or Spain have had to introduce dramatic reforms, including drastic reductions of the minimum wage, public-sector wages and pensions, and legislative changes aimed at decentralizing collective bargaining and reducing its coverage. The latter allow company-level agreements to deviate (downwards) from industry agreements to the detriment of workers and have already resulted in a dramatic decline of the number of workers covered by collective agreements in those countries.

Through its shift in vision, the EU is thus clearly undermining the position of employers’ organizations and trade unions and fostering a move towards labour markets in which collective labour relations play only a minor role, contradicting the traditional EU position on their key importance. This shift also means further strengthening the role of the market and prioritizing economic goals over social goals. This, in turn, sharply contradicts other EU visions and discourses that for decades have promoted “Social Europe” and a core role for collective industrial relations in the governance of the labour market and the welfare state.

**Drivers of change**

The future of industrial relations in the EU will depend to an important extent on the ongoing “battle of ideas” over social justice, democracy, efficiency and development. Today’s dominant discourse acclaims the autonomous
individual as the basis of the functioning of the labour market: collective labour relations are seen as an obstacle to economic and employment growth, trade unions are regarded as “insider organizations”, and the power differences between capital and labour are downplayed. This discourse and the labour market reality it has fostered embody a number of paradoxes, contradictions and tensions, however, as outlined above. These will not just wither away; they are likely to lead to increasing discontent and disenchantment with the direction European societies are travelling and may become important sources of change in society generally and in industrial relations in particular.

First, collective representation seems more essential than ever to counterbalance individualization tendencies and the demand for it can be expected to increase. Trade unions can therefore be expected to improve their functioning and to connect better with potential members. Alternatively, if they fail to do so, new forms of representation will emerge to give voice to employees, ranging from shop-floor initiatives to NGOs concerned with labour issues on a global scale or organized around production chains, or rather along occupational lines or at the local and regional levels.

Second, and closely related to the first point, one of the new core issues in industrial relations is the mounting pressure on job quality and the resulting growth of precarious work. By causing increased tension on the labour market and negative social effects, this trend is becoming a growing source of discontent and protest. In the long run, this discontent may translate into political power, if only because of the sheer numbers of workers affected and the increasing inequalities they face. In the shorter term, trade unions could be the channels through which precarious workers improve their situation. Paradoxically, however, these workers are rarely union members. Still, there does not seem to be any alternative force capable of successfully taking up the case of precarious workers in the short run. And for trade unions, these workers constitute a large potential source of membership. Besides, reducing precarious work is also necessary both to demonstrate the societal relevance of unions and their commitment to solidarity and social justice, and to lessen the pressure on the wages and working conditions of so-called insiders. In short, trade unions and “outsiders” are left with little choice but to find new ways of cooperating. For trade unions this means they will have to make job quality and precarious workers central to their future strategies and back them up with the necessary resources. And since it seems doubtful that they can achieve this on their own in many EU countries, they will also have to convince governments and employers of the detrimental effects of precarious work on social cohesion, productivity and innovation.

Third, the EU has become a major proponent of the dominant market-oriented discourse, but in doing so it is paradoxically contradicting its traditional support for collective labour relations, social cohesion and quality of work. Its single-minded focus on the market is further weakening the position of individuals on the labour market, causing a deterioration in the quality of work and increasing inequalities. In the process, the EU is strengthening its
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own image as an elite project with little interest in the fate of “normal” working people, provoking more discontent and protest and feeding directly into the already rapidly growing currents of euroscepticism (Serricchio, Tsakatika and Quaglia, 2013). This, in turn, could well procure more votes for anti-EU parties and elicit more public scrutiny of the not-very-transparent European project. In the long run, the EU may therefore be undermining the future stability of the European project and digging its own grave if it continues on this road.

Growing tensions, discontent and protest also highlight the need for alternative ideas and visions of society. Alternative discourses need to be further developed and articulated around decent work, job quality, social justice and economic democracy. Also, discontent and alternative visions have to be translated into political power. Following Polanyi’s idea of the “double movement”, it seems unavoidable that this will happen at some point. When and how, however, are hard to predict, not least because the dominant discourse is firmly in place for the moment, enjoying the support of the most powerful political and economic actors in the European Union.

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