The Future of Work, Employment and Social Protection

The search for new securities in a world of growing uncertainties

Proceedings of the France/ ILO symposium
Annecy 2001

Peter Auer and Christine Daniel (eds.)

MINISTRY OF EMPLOYMENT AND SOLIDARITY
INTERNATIONAL LABOUR ORGANIZATION
International Institute for Labour Studies
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The present volume contains the proceedings of the first France/ILO symposium on the Future of Work, Employment and Social Protection which was held in Annecy on 18-19 January 2001. The aim of this symposium, one in a series which are being organized jointly by the ILO and the French Ministry of Employment and Solidarity, was to stimulate an in-depth reflection on work, employment and social protection in a globalized world. It was agreed that the focus would initially be on problems and solutions in developed countries, and that subsequent conferences would take up issues of wider concern. The conferences are intended to contribute to enhance the analytical capabilities of the ILO, and to stimulate a high-level debate between academics and policy-makers on critical social policy issues.

The proceedings reflect the richness of the debate. Several speakers warned against the temptation to simply replace one dominant paradigm, i.e. the neoliberal approach based on labour supply, deregulation, privatization and individualization, with another, based on regulation, public goods and collectivization, focused on the demand side of the economy. Many participants in the debate called for a new synthesis of factors that too often are represented as being in opposition: “market vs. regulation”, “supply vs. demand”, “flexibility vs. security”.

Clearly, a new synthesis calls for the right policy questions and for realistic answers. During the symposium, some questioned whether changing values and growing uncertainties would not require new institutional as well as value-driven answers. Others explored the division between individual and collective responsibilities and potential political solutions. Questions were also asked on the role of firms and communities, and the necessity for a new global social authority – a crucial issue not only for the ILO and its constituents, but also for the entire international system.

Another central theme was the respective roles of the economy, politics and society. Globalization and technological change are indeed influencing economies and societies, but it was felt that politics does more than follow and adapt to these forces. Political choice itself contributes to shaping these forces – and impacts on societies. The exchanges between the academics, the social partners and the politicians who attended this conference shed new light on these issues and on the need for qualitatively better levels of interaction between
research and policy. The symposium thus contributed to an essential aim of the International Institute for Labour Studies: the promotion of dialogue between the research community and policy makers.

The present volume is designed to be more than an account of the discussions. It seeks to provide a useful tool for all those interested in shaping future patterns of work, employment and social protection through the perspective and needs of people everywhere – the demand for decent work.

Padmanabha Gopinath
Director
International Institute for Labour Studies
EDITOR’S NOTE

The present volume comprises the papers and debates of the first France/ILO symposium on the future of work, employment and social protection. It is a combination of invited papers and of the edited transcripts of the discussant’s comments and the succinct synthesis of debates. The structure of this book follows closely the structure of the conference. It begins with the opening remarks of the Minister of Employment and Solidarity, Mrs. Elisabeth Guigou and the welcome address of Juan Somavia, Director-General of the ILO. After a short introduction by the symposium’s French and ILO coordinators, each of the four sessions is represented in chronological order: the paper of the main speaker, the comments of the discussants and the synthesis. The volume then presents the papers of the dinner speakers and ends with the closing speech of the ILO’s Director-General.

Special thanks for their efforts to produce this book go to Vanna Rougier, who has organized the texts in two language versions, to the translators and language editors Julie Barnes, Marc Foucault, Peter Tallon and Catherine Kobrin and lastly Christiane Kuptsch for giving editorial advice.
I would like to welcome all of you to this meeting.

I have just one or two remarks to make before I ask the Minister to introduce the symposium.

If we genuinely want the global economy to respond to the uncertainties facing individuals and families and their aspirations for decent work, we will need to devote far more time and energy to trying to understand where the logic and the dynamics of the rapid changes all around us are leading.

In order to develop specific solutions to the problems facing governments, workers, companies and society as a whole, we must refine our understanding of the nature of those changes, and of why some people benefit from them, while many others do not or have only a precarious share in the advantages they can bring.

This will require better linkages between the realm of theory and the realm of public action and production.

One ambition of mine is for the ILO to become a centre of partnership, helping to create global knowledge networks in the world of labour and employment. As an institution, we are in a strategic position to strengthen such networks, improve access to their resources for our tripartite constituents, and provide them with data and with information on the results of research in comparative social policy.

These considerations are the starting point for our meeting today. I soon realized, when I took over as Director-General of the ILO, that we and the Ministry of Employment and Solidarity were on the same wavelength.

We agreed that it was vitally important to gain a better understanding of the growing inequalities and insecurities in the world of work and of what we might do to remedy them. Embarking on this undertaking with the Ministry, with its long tradition of promoting new ideas and innovative policies, has been for us a great source of inspiration and encouragement.

This led to the idea of a France/ILO meeting, an idea which was born during a conversation with Martine Aubry on the types of flexibility and security that are needed by society in order to create stability and promote employment.

Today, I have the additional pleasure of working with the Minister herself, Elisabeth Guigou. Her contributions in the field of equality and social inclusion,
and her move from the Ministry of Justice to that of Employment, will surely encourage our Organization in its own vocation – the promotion of social justice. Hers is a life that has been devoted to public service. Whether in discussions on finance, European issues, or regional development, whether as a parliamentarian in the National Assembly or in Strasbourg, you, Minister, have always been involved and have maintained a consistent course.

Thank you for being here, Minister. Your presence here honours our discussions. It is with great pleasure that I now ask you to take the floor.
Mr. Director-General,
Ladies and Gentlemen,

Thank you, dear Juan Somavia, for those words of introduction.

It gives me great pleasure to be with all of you today to open the first France-ILO meeting on “the future of work, employment and social protection”. The meeting is the tangible outcome of an initiative taken jointly by the International Labour Organization and the French Ministry of Employment and Solidarity in the framework of the co-operation agreement signed by France and the ILO in 1999. Martine Aubry worked very hard with Juan Somavia to ensure that the initiative took shape.

I am delighted to see how many of you are here today, and thank you for having accepted our invitation and in some cases for having travelled quite far to be with us.

I should like to start by thanking those from both the Ministry of Employment and Solidarity and from the ILO who organized the meeting. My gratitude goes to Gerry Rodgers, Peter Auer, Jean-Michel Servais, Emmanuel Reynaud and Françoise Weeks from the ILO, and to Marie-Thérèse Join-Lambert, France’s representative to the ILO, Christine Daniel and Dominique Meda of France for their efficiency.

As you know, Juan Somavia will conclude the conference for both of us, for as we have already had occasion to observe, in particular at the meeting of G8 Ministers of Employment and Social Welfare held in Turin in November, he and I have shared views and a common vision.

At this point, I should like first to speak to you about the purpose of our colloquium, which is to examine the future of work, employment and social
protection from all angles, before turning to the role of the International Labour Organization in that process.

I. Our objective: multi-faceted reflection on the future of work, employment and social protection

In the minds of both Juan Somavia and myself, our aim is to open a dialogue, within the ILO, among knowledgeable people, practitioners and researchers working on the issues of interest to us.

We wish to create a venue and an opportunity for debate in which views can be expressed freely and independently. Such venues are all too rare and obviously lacking for political officials, but perhaps also for trade union and employers’ representatives.

*Better understanding for more effective action*

Our ambition here is born of a necessity: the need to enhance understanding of the world in which we live, the forces shaping it, the changes it is undergoing, to invent new forms of collective security, prepare new jobs, foresee and face developments. In a word: to endeavour to master the future and lay the groundwork for an improved collective approach to risk-burdens.

Ours is an ambitious project, all the more so in that it will not suffice to reach a conclusion, no matter how detailed and accurate it is. We must define avenues for the future, the means of responding, both nationally and internationally, to the new forms of insecurity emerging. How, in the industrialised world, is the legal framework for employment and work to be restructured so as to reconcile business demands for flexibility and the protection of wage-earners? What are the jobs of the future? What will be the place of work in the society we wish to build? How are the objectives of social protection to be redefined so as to enable us to cope with the new social risks, what I call “the new risks of life”?

*A wealth of contradictory approaches*

The specificity of this conference is that it will bring people from widely different backgrounds, and their points of view, face-to-face. Economists, sociologists, political scientists, will speak out on the extent of current changes and on the new factors of insecurity for wage-earners.

In this respect, I am struck by the fact that while trade liberalisation and what we usually call globalisation are indeed cited as new factors of insecurity for wage-earners, they are not the only ones.

I refer in this connection to the contribution of Eileen Appelbaum, head of research at the Economic Policy Institute, whose introduction to the first round table on Thursday morning, just after Ms. Guigou spoke. Her contribution identified the principal new sources of insecurity for wage-earners.

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1 Eileen Appelbaum is an American economist and the head of research at the Economic Policy Institute in Washington. She introduced the first round table on Thursday morning, just after Ms. Guigou spoke. Her contribution identified the principal new sources of insecurity for wage-earners.
table later this morning will report on the undermining of traditional forms of employment for all wage-earners, even those who are skilled. She also demonstrates that in the United States, one of the biggest factors of insecurity in families in which both parents work is the difficulty of coping with family responsibilities and professional constraints simultaneously. Companies continue to define the “ideal worker” as someone who behaves at work as though he had no family responsibilities. There is therefore a gap between developments in the labour market and changes in family and employment structures. From that gap stem new forms of insecurity.

On this subject, you will also hear the points of view of trade unionists and officials from employers’ organizations, of company leaders and human resources officers who deal with the issues at first hand. And let us not forget the people whose political responsibilities give them an overview of the measures of reform required.

That, therefore, is the meeting’s first objective: to move towards an accurate analysis of current changes in work and employment, a prerequisite to defining how best to respond to those changes, be it nationally or internationally. The future of employment and work is a central issue, one which lies at the heart of a country’s social fabric. For that reason, progress must be made on the analysis but also on proposals of the kind, I am sure, we shall invite the participants at this meeting to formulate and about which Juan Somavia will speak again tomorrow.

Progress in this field is no easy matter, but it must be steady. Last Thursday, for example, I was at the National Assembly to present, on behalf of the French government, the social modernisation bill that paves the way for action to protect wage-earners against moral harassment and to validate professional experience.

The International Labour Organization plays a key role in terms of that ambition, in terms of the transformation of employment and work and the consequences thereof, in terms of social protection.

II. The International Labour Organization provides the ideal framework of expertise for broaching these issues

ILO impetus

Let there be no doubt: the ILO is at present a reference point for the establishment of global social standards and their promotion, first and foremost in developing countries. The ILO must also be the most industrialised countries’ contact point concerning the world of work. Of all the UN agencies, the ILO should be the natural host for the debate on social issues emerging in our developed societies as economic modernisation prompts us to rethink and further improve the social contracts they have adopted.

Indeed, the ILO’s history and its tripartite method of functioning guarantee that the interests of governments, wage-earners and employers are represented, lending its voice on such matters special legitimacy at the international level.

Juan Somavia, the ILO’s new Director General, has repositioned the organization at the heart of the international system and strengthened its credibility.
At the annual Labour Conference in 1998, the ministers in charge of employment and social welfare acted on his initiative and focused the international agenda on the issue of social standards by adopting the Declaration on Fundamental Principles and Rights at Work.

The heads of State and of government had met, already at his initiative but in another role, in Copenhagen in 1995 for the first World Summit on Social Development, a precursor in that area.

Social concerns finally top the European and international agenda.

Indeed, social concerns are becoming ever more crucial internationally, contrary to what was the situation ten or twenty years ago.

Such is the case, and I am sure you understand why I speak of this first, at the European level. As I turn my attention back to European social matters after a three-year absence, I am surprised and pleased to see that social concerns are at long last at the top of the European agenda.

Economic and monetary integration have heightened the speed at which social debate and policies have risen in prominence in the work of the 15 Member States. It is very satisfying to observe that within the EU the ministers in charge of social policies and the social protagonists lost no time in agreeing on the need for an ambitious 5-year vision of our priorities in the entire social field, of what we call modernisation and the enhancement of the European social model.

The social agenda validated in Nice last December and reflection on the European social model can, moreover, constitute reference points for the discussions to take place at this conference. The EU Member States made it abundantly clear that economic performance and social progress must go hand-in-hand. I was struck at the G8 meeting by the fact that this call was reiterated by non-European ministers.

This interest in the social dimension has also been expressed in more unexpected quarters, such as the international financial institutions.

It is in particular within the geographical area of developing countries that financial institutions such as the World Bank and the International Monetary Fund, under the impetus of Michel Camdessus, have expressed “social concern”, a preoccupation to promote “the social aspects of structural adjustment”, for example by being more attentive to the consequences of those adjustments in the fields of health, education and the environment.

The example of social protection

Of course, those institutions tackle the problem from a specific angle, that of social protection as an instrument in the fight against poverty carried out within the framework of structural adjustment, the social dimension of which aims to attenuate the effects thereof.

I think that that approach to social protection must be enlarged. Social protection cannot be used only as an instrument in the fight against poverty. It must also be aimed at reducing inequality between individuals or groups, at expanding access to services of general interest, in particular health and
education, at supporting growth and even at improving human capital. Indeed, social protection systems have played a fundamental role in attenuating and cushioning the social effects of financial crises.

The social systems set up in the developed countries have enabled those countries, by different means, to bear the cost of the risks that deprive individuals of their ability to work. Risks such as unemployment, illness and retirement. Maybe those systems should be expanded in the future to cover the new risks emerging, those related to technological developments that require lifelong training or to family changes. Tomorrow, as life expectancy rises, the dependence of the elderly will pose another risk.

The loss of independence of the elderly is presently handled in different ways by industrialised countries. Some have developed an insurance-based approach that is part of the social security system, others still rely on family solidarity.

The French government, for its part, is working on a bill that will considerably compensate the loss of independence of the elderly. We will replace the current great disparities with an objective right that will vary with the degree of dependence and income and will be applied the same throughout the country.

Pensioners are also a major factor. They were often the driving force behind the social security mechanisms in industrialised countries, yet they will more likely than not be confronted with a difficult demographic situation. Each country will of course have to find its own best answer, depending on its history, its collective choices, its institutions. We for our part are working to preserve the system of retirement benefits that the French hold so dear. To that end, a reserve fund has been established to supplement pension funds in the long run.

On subjects like this, the International Labour Organization can and must speak out. It may not necessarily speak as one with the international institutions I mentioned earlier, since its point of view is also shaped by the interests of wage-earners and through permanent dialogue among its three components.

**Employment and work**

On employment and work, too, the ILO has developed concepts that I find decisive. I refer to the notion that everywhere the focus must be on promoting forms of employment that are dignified and satisfying for the individual – an idea summed up in one of Juan Somavia’s favourite expressions, the English term “decent work”.

The concept is indeed an interesting one, for it covers all aspects of work.

This is a very topical issue in industrialised countries. Within the framework of the European Union’s employment strategy, the key point of discussion in 2001 will be the quality of employment. How are we to combine the trend towards full employment with the search for quality in the components of employment: pay, the balance between flexibility and security, working conditions, of which working hours are part and parcel, development potential, lifelong training, and so on?
But, and this is a point to which the ILO attaches, quite rightly I think, great importance, decent work also supposes that the possibility exists for wage-earners to speak as one on the very conditions in which they work. The importance of trade union representation takes on a new dimension as new forms of insecurity emerge. As Alain Supiot, who will introduce the fourth round table, underscored, the search for new forms of “regulation” implies a change in the forms of collective organization of wage-earners. He will submit for discussion three very concrete avenues to explore in changing those forms of organization.

First, how is the right of workers’ representatives to spread information to be effectively strengthened, in particular in terms of giving them adequate financial resources and guaranteeing that the information disseminated is reliable?

How finally to heighten shareholder awareness of company social policies, again focusing on the production and dissemination of information?

Lastly, could not the International Labour Organization become a regulatory body with the authority to make progress on social labels internationally? If the ILO neglects these issues, the labels, instead of being a fair and transparent means of promoting fundamental rights in developing countries, could become mere commercial instruments used by businesses whose competitive behaviour could undermine the labels’ effectiveness and meaning for NGOs and consumers.

* * *

**In conclusion: working for the expansion of the France-ILO symposium**

Ladies and Gentlemen, as you will have understood, we expect a great deal from the exchanges that are going to take place here, because we face the daunting task of preparing the future and endeavouring to make it a just one for all, in particular future generations.

This year, the meeting takes place in France, and we decided to limit its initial scope to the industrialised countries. This is evidenced by the geographical origin of the participants, who hail from European countries, the United States and Japan.

It is our fervent hope, however, that the organisers of subsequent meetings will come from countries other than France and that the participants will reflect on issues that go beyond the countries on which today’s analysis will focus.

We hope, therefore, that this is the first step in a process that will lead next year to meetings between the European Union and the ILO, between which ties must be strengthened, and to simultaneous meetings in developing countries, the ultimate goal being an international gathering in Geneva.

To that end, and having discussed the matter with Mr. Somavia, I suggest that an Internet site be opened on the ILO home page and that the deliberations of the Annecy meeting be put on-line without delay. This will enable you to

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2 Alain Supiot is a French legal expert, professor at the University of Nantes II. He introduced the fourth round table, on the search for new forms of regulation.
consult articles, reference works and analyses of the topics on which we meet. I also think it would be useful for the participants to stay in touch, thus creating a pool of expertise and a decision-making aid. In the long term, and with the help of the ILO, a focal point of knowledge and reflection could be set up for those working on the future.

In fact, my deepest ambition is for us to create, in time, a “social Davos”, not an “anti-Davos”, which already exists. The mould of the “social Davos” remains to be cast, but it will be characterised by the seriousness of its approach and pave the way for discussion of the topics we have mentioned.

Indeed, I do not believe that the experts and decision-makers belonging to economic and financial institutions, their vital contribution to the decision-making process and the expertise they provide notwithstanding, should be given the exclusive right to forecast or dictate the social future, and ultimately to make up our minds for us and without us.

This is why, Ladies and Gentlemen, our hopes are pinned on the Annecy meeting, which is now open.

Allow me to wish you every success in the deliberations the organizing committee will now describe in greater detail.

Thank you for your attention.

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5 This has been done; see: http://www.ilo.org/inst/annecy2001
We should like to begin by looking briefly at three points which, in one way or another, are covered in all the papers presented: the revival of employment, the relationship between employment and work, and the relationship between employment and social protection.

First of all, we have to acknowledge that work in the form of paid work or employment has proved to be the essential asset in advanced societies as we enter the new millennium. There is plenty of evidence for this, the fight against unemployment, policies to increase the employment rate among the population – the fundamental aim of Europe’s employment strategy – e.g. by activating ‘passive’ expenditure, extending the time spent at work and reducing the time spent outside work, the reduction in early retirement, and the growing practice of subsidizing those who have a job (“in-work benefits”), e.g. through tax credits. There have also been attempts to stimulate low-wage jobs, which were an important element in France, for example, and also not so long ago in Germany. We think that when Fritz Scharpf talks about the fact that recipes for achieving full employment exist, but have been blocked for political reasons, he also refers to the controversy surrounding the promotion of a low-pay sector in Germany.

So we have a whole raft of policies all with the same aim: to increase the number of people in work and to reduce the number who are out of work or who receive an income without working. Subsidizing activity rather than inactivity is the new approach. This is tantamount to sketching out a new social contract: benefits are paid only in return for participation in some sort of training or work activity.

Paradoxically, during the years of full employment until around the 1970s and 1980s, there was much more talk of alternatives to work/employment than there is today. The idea that we should work to live, not live to work, to use an expression that Robert Freeman employs, was much more common than it is today. The subjects people talked about then were less ‘alienating’ work, more leisure time, more voluntary work and even ‘zero’ growth.
All this changed during the 1980s and the early 1990s, when there was a major employment crisis. The shortage of work generated a different debate: on the one hand ideas developed about work, or rather employment, coming to an end, but on the other the concept of employment as a fundamental asset of post-industrial societies was regaining currency.

For the time being, at least, it seems that paid work (employment) has finally resumed its place as one of the basic normative assets of developed societies. This has certainly come as a consequence of the employment crisis. It will be interesting to see what happens tomorrow, if there really is a return to full employment. What will the picture be like then: will there be calls for more free time and less work? For the time being, however, the emphasis is definitely on “work for everyone”. This cyclical function of employment (people want it when they do not have it or risk losing it, but they are less happy when they have it) was identified in a text which formed part of a book published by Sabine Erbès-Seguin. There are times when research and politics put greater emphasis on work (in other words the quality of work, such as working conditions and the humanization of work), alternating with times when there is greater emphasis on employment (the quantity of employment: research into unemployment and job creation). The first ‘cycle’ more or less covers (with the delay inherent in empirical research) the last years of full employment (the 1970s and early 1980s), while the second “cycle” covers the years of mass unemployment up to the mid-1990s.

It may be that we are now facing just such a change: the employment crisis is over (just about, albeit inadequately and unevenly and a new recession is looming), and now work (the quality of work) is re-emerging, as we can see from the European Commission’s recent efforts on the quality of work.

The concept of decent work, which is to become a focus of the ILO’s work in future, seems to go beyond these cycles, since it incorporates both employment quantity and quality. In order to have decent work, you first of all have to have a job. This “decent” job also has to pay a fair wage and give access to collateral rights such as the right to representation and expression (a voice) and to social protection (during employment and when out of work). Decent work therefore suggests that employment and work, in other words quantity and quality, are two sides of the same coin, thus underlining that work is not a commodity like any other.

Having covered work and employment, all that remains is for us to look in more detail at our third topic: social protection. Before doing so, we would like to draw your attention to something that we feel is quite important: the re-emergence of the work/employment norm as a fundamental asset in society also shows that the ties between social protection and employment have never been as strong as they are now. It is impossible, or at least difficult, to imagine employment without social protection (it is employment which most often entitles people to social benefits such as unemployment benefit or a pension), or social protection without employment, which is largely what funds it. This employment revival, which is also discernible in the concepts behind the ‘active
welfare state’, should now make us consider how the links between employment and social protection need to develop in future.

On this point, the programme for this symposium, which focuses on the search for new securities, was structured around two ideas: that employment needs social protection to generate security, and that the links between work/employment and social protection are structured very differently in different countries.

The first idea is that employment alone is not enough to guarantee security. As a number of papers will show, (see Eileen Appelbaum, Jill Rubery and Fritz Scharpf), for individuals security is the result of a combination of at least three factors:

- employment itself and the forms that it takes, in other words the pay earned, its stability, and a whole series of criteria which define the quality of employment or decent work;
- the second, over and above the job itself, is provided by social protection, whether this is to compensate for the lack of work, temporarily in the case of sickness or unemployment or more definitively upon retirement, or whether it is a response to a number of vital individual needs such as health care. Social protection appears to be an essential addition to work if individuals are to feel secure;
- the third, highlighted by recent comparative studies in particular, but which was perhaps sometimes overlooked in the past, relates to all the various forms of security provided by the family.

After 1945 the development of social legislation and changes in the way businesses managed employment helped to strengthen the protection that came with having a stable, full-time job. Labour standards and social protection policy joined forces, as it were, to form a group of securities built around stable employment regulations. These developments also took place in a context where family structures too were fairly stable, built around the ‘male breadwinner’ model.

Today, forms of employment, (see Raymond-Pierre Bodin’s paper) and family structures are both changing. To put things simply, both work and the family are producing new risks. Faced with this, the question we might ask is: has social protection adjusted sufficiently to keep pace with both the transformations in employment and the transformations in family structures? Has it taken sufficient account of the fact that most households now have two breadwinners, as Eileen Appelbaum says, with all the new risks that this involves? Has social protection taken sufficient account of the changes in life-cycle, which is now much less linear than it used to be, and the changes in career development, which is tending to become much less stable? Bernard Gazier’s paper in particular sheds light on this vital issue for the future, and on the changes in social protection that the industrialized nations would be well advised to make.

The second idea around which the symposium’s programme was built is that there are no automatic or self-regulating economic mechanisms that would
adequately explain all the changes that are currently taking place, and that would identify a single approach for reform or change. The talks by Richard Freeman, who compares the situations in Europe and the USA, and by Fritz Scharpf, who illustrates the different approaches taken in the countries of Europe, highlight the wide range of national situations and of possible choices for the future. The various industrialized countries have not reacted to economic constraints in the same way; they have not pursued the same line on employment, and so the results they have achieved are also different.

The idea that there is no single path predetermined by economic constraints is one that is supported by France and the ILO. Both national and international institutions have a part to play. In the fourth panel Alain Supiot examine the possible emergence of new forms of regulation, particularly collective forms. His paper shows that, for example, internationalization opens up possible new methods of regulation, particularly because of the increasing power of information. The options, including the role that the ILO might play in the debate on such regulations, which would be based on collective representations such as those of workers, are generating completely new lines of discussion.

In conclusion, we might say that the France-ILO organization committee hoped to make plurality the watchword of this symposium. The conclusions reached on the changes taking place and on possible solutions to them are not unequivocal. Each speaker, speaking from his/her own standpoint (and there are a wide range of these – we have researchers, politicians, trade unionists, heads of firms and representatives of employers’ organizations) and from his/her own country, has a view to express on all these issues concerning the future of employment and social protection.
TRANSFORMATION OF WORK AND EMPLOYMENT
AND NEW INSECURITIES
INTRODUCTION

Thank you for inviting me to participate in this symposium on “The Future of Work, Employment and Social Protection.” The issues raised at this meeting are of the utmost importance to all of us who examine economic, social, and technological developments through the lens of their effects on the lives and living standards of working people. It is a pleasure, and a privilege, for me to be here.

My task today is to provide a diagnosis of the main changes in the industrialized economies during the last 25 years that have given rise to a transformation of work and employment, and to new insecurities. It is a daunting task, fortunately made easier by the strict limits on the length of the paper and the time allotted for my remarks. The constraints force me to focus on four major developments, that I am sure are quite familiar to you, and to which I know that you have also given a great deal of thought. I hope, however, that you will find something new and stimulating in the way I characterize these developments and in my analysis of how they contribute to the new insecurities.

The four horsemen of the transformation of work and employment are often identified as globalization, contingent or precarious jobs, paid employment of married women, and technological change. But these are very broad influences on work and employment, with the potential to create new opportunities for workers as well as to make their situations more insecure. To focus attention on the relationship between these trends and the new insecurity experienced by workers, I propose to focus on these trends, but to recast them more narrowly. In my remarks today, I will address these issues by concentrating on the internationalization of production processes, the decline of the standard employment relationship, the marginalization of care work, and the ubiquity of digital technology.

While my remarks today will explore the ways in which these trends have contributed to the insecurities of workers, I remain optimistic about the possibilities for a more secure and less anxious future. As I discuss each of the trends leading to greater insecurity in the present, I will try to suggest a policy agenda.
that could diminish, or even eliminate, the economic uncertainties that workers face. In concluding my presentation, I will suggest a basis for organizing workers to achieve these policy reforms.

Let me turn now to a discussion of each of the four key trends in the transformation of work and employment, and the new insecurities they generate.

THE INTERNATIONALIZATION OF PRODUCTION PROCESSES

In the U.S., which has had a sustained and growing trade deficit, discussions of globalization and worker insecurity have focused on the effects of trade on workers. Gross imbalances in trade began in 1980. The trade deficit has continued to deteriorate, and this year it is equal to almost 4% of GDP. Economic theory suggests that the expansion of trade under these circumstances will lead to a loss of manufacturing jobs, a rise in income inequality and to wage stagnation. Indeed, a preponderance of evidence in recent economic studies finds that between 10 and 40 percent of the increase in wage inequality in the U.S. in the 1980s and 1990s can be explained by trade.

Job loss and stagnant or falling wages have certainly contributed to the insecurity of U.S. workers. But this is largely the result of grossly unbalanced trade and a cumulative trade deficit over 20 years of $1,715 billion. Trade, itself, may not be the culprit.

But there is another aspect of globalization that I would argue is of great significance for workers in the industrialized economies and that contributes to new insecurities regardless of whether trade balances – the internationalization of production processes by multinational companies. This is the first of the four trends contributing to the new insecurity that I want to discuss.¹

In the last 25 years, multinationals have become almost stateless enterprises, merging across international borders and moving production locations about from country to country in a relentless effort to minimize production costs or escape regulatory constraints. These companies exhibit remarkably little concern for the interests of their many stakeholders – the workers, communities, and government of the nations where they are headquartered or their facilities are situated.

In the pursuit of maximum short-run profits, global firms are divesting themselves of larger and larger portions of their manufacturing operations and concentrating on design and marketing. Like Liz Claiborne in apparel and Cisco systems in computer hardware, many elite companies aspire to be a label and a marketing operation – with manufacturing done by foreign subsidiaries, or outsourced to small domestic producers or to contract manufacturers in low-wage developing countries, who sometimes contract with home workers in the informal sector of these economies.

¹ Much of the material in this section comes from a background paper prepared by Rob Scott of the Economic Policy Institute for the U.S. Trade Deficit Review Commission created by the U.S. Congress. See Chapter 2 of The U.S. Trade Deficit: Causes, consequences and Recommendations for Action, November 2000.
The geographic dispersion of research, design, manufacturing and other operations has been made possible by declining transportation costs, advances in digital communications, and falling barriers to trade and investment. One result of these developments is that manufacturing facilities in technologically backward developing countries, where wages are low, are now frequently equipped with advanced manufacturing technology and engineering and management know-how. Assembly operations that remain in the industrialized countries draw parts and components from manufacturing facilities around the world. U.S. aircraft and automobiles, for example, embody manufactured parts and components from thousands of suppliers located in virtually every part of the world. This is a key part of the globalization process.

Intra-firm trade – the trade between parent firms in the home country and their foreign affiliates and between foreign companies in the host country and their foreign parents – is one measure of the extent to which production has become geographically de-integrated. Data for the U.S. – perhaps the most extreme case among industrialized countries – show how extensive the internationalization of production processes has become. Over half the exports of U.S. multinational corporations (MNCs) went to their foreign affiliates. This accounted for a third of all U.S. manufacturing exports. Another eight percent of all U.S. manufacturing exports were from U.S. affiliates to foreign parent companies. Two-thirds of imports by U.S. multinational firms were from their foreign affiliates. This was a fifth of all U.S. manufacturing imports. Another 24% of all manufacturing imports were from U.S. affiliates from foreign parent firms. Thus, intra-firm trade accounts for 40 percent of U.S. manufacturing exports and 45 percent of imports. And these figures do not count trade with contract firms in foreign countries that supply multinationals in the U.S. with parts and components.

Workers in the industrialized economies are well aware of this growth in intra-firm trade. They know that capital is mobile and that employers can relocate plants, outsource some of their operations, and purchase parts and components directly from foreign producers. Employers have used this “threat effect” to substantially reduce the bargaining power of workers, and to hold down wages, impose overtime, speed-up work, and undermine unions.

In the U.S., a quarter of American executives surveyed by the Wall Street Journal admitted that they were “very likely” or “somewhat likely” to use NAFTA as a bargaining chip to hold down wages. In a study of union organizing drives, Kate Bronfenbrenner of Cornell University found that more than half of all employers threaten to close all or part of their operations during union organizing drives.

In those industrialized countries where unions are stronger and social protections are more fully developed, the threat of plant closures and capital flight may be more subtle. But every industrialized country has examples of multinational companies that have closed down domestic operations while expanding abroad. These examples are likely to have substantial impact on workers’ bargaining position. Moreover, the growing economic clout of these
footloose and borderless companies has – to a greater or lesser degree – undermined the ability of industrialized countries to regulate their markets for social purposes and weakened the social protections workers previously enjoyed.

Nevertheless, there are important differences among countries in terms of institutions – the strength of unions, rights to codetermination; and in terms of social protections – generous severance pay, extended unemployment benefits. And these make a difference in the extent to which workers are exposed to new insecurities. Unlike their American counterparts, some European multinationals such as Volkswagen have made a commitment to maintaining production in all their domestic facilities while still expanding abroad. The merger in October 1999 of the Dutch steel company, Hoogovens, and British Steel to create Corus is instructive on another point. Under Dutch law, workers at Hoogovens were represented by a works council with established rights to information. As a result, these workers were informed in advance of the merger, and were able to negotiate employment protections for themselves. This was not the case for workers at British Steel. Thus, if there is redundant capacity in Corus as a result of the merger, which is likely given global over-capacity in the steel industry, the brunt of any layoffs and dismissals will be borne by the British workers. Clearly, they are at greater risk of layoff and face greater insecurity than their Dutch counterparts.

Despite these institutional differences among nations, the power of multinational firms in each country has grown. The development of global supply chains comprised of multinational corporations, foreign affiliates, and contract manufacturers in dozens of low wage countries has reduced the bargaining power of workers and the unions that represent them as well as the traditional power of governments to regulate firms and protect workers and communities. In their quest for profits, multinational corporations are increasingly able to ignore workers’ desire for an equitable sharing of the fruits of production and the public’s interest in the benefits of growth. In many industries they are able to make a credible threat that they will close plants even when they are profitable and relocate operations abroad. Layoffs are no longer a function only of inadequate demand or poor firm performance. Thus, workers confront new insecurities while, at the same time, governments are less able to provide protections.

Workers in the poorer, less developed countries of the South face worsening income inequality and their own insecurities as a result of globalization, often at the hands of the same multinational companies that make life uncertain for workers in the more developed North. The International Monetary Fund conditions its loans to troubled nations with austerity and anti-labor policies aimed at giving debt repayment through exports priority over domestic growth. And it blacklists projects it doesn’t like from receiving assistance from the World Bank and other international lenders.

An editorial in a leading U.S. newspaper, commemorating the start of the administration on Mexican President Vincente Fox, makes clear what globalization has meant for Mexico:
[Fox] starts with one big advantage, compared with his predecessors: Mexico’s economy is thriving as never before. For that, much credit is due to outgoing president Ernesto Zedillo, who survived the dramatic collapse of Mexico’s currency and finances months after his own inauguration, then steadily and skillfully orchestrated five consecutive years of rapid growth, thanks largely to booming trade with the United States. Still, Mexico is an example of globalization-driven growth in more than one way: Inequality, already great, has grown worse in the past decade, both between the richest and poorest families and between the export-fueled north and agricultural south. Drug trafficking, corruption and violence continue to afflict almost every aspect of civic life, and the abject poverty that spawned the Zapatista rebel movement six years ago remains largely unrelieved."

An end to insecurity brought about by the ability of multinational corporations to exploit an unfettered global marketplace to their own advantage, and to the disadvantage of workers in both the North and the South, will require a global alliance around a common program for working people of all nations. Jeff Faux, EPI’s president, has suggested that such an alliance might be built around a “grand bargain” between the institutions that represent ordinary working people around the globe. Such a bargain, he proposes, “would reflect the need of workers in the developing world for investment to support sustained growth and the need of workers in the developed world to prevent erosion of their bargaining power. It would reflect the common needs of all people for a healthy environment. It would reflect a redefinition of economic development that puts democratic institutions at the center.”

Faux suggests three political goals that might be included in such a bargain:

- **Development aid.** A long-term commitment from wealthy countries of aid for infrastructure and social investment, debt relief, and technical assistance to developing countries.

- **Rights and standards.** A commitment from all countries to the five core labor rights of the ILO and to labor and environmental standards, with actual standards set in each case by the political process within the nation, that are enforceable through trade and financial sanctions.

- **Global transaction tax.** The establishment of an international tax on global financial transactions, whose proceeds would be dedicated to social investment in the developing world. The “Tobin tax” would be designed to slow down the destabilizing short-term movement of capital.

**THE DECLINE OF THE STANDARD EMPLOYMENT RELATIONSHIP**

The second trend that has contributed to the new insecurity is the decline in the standard employment relationship. Indeed, a weakening of the standard employment relationship may prove to have been one important result of the

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3 Jeff Faux, Toward a Global Social Contract: The politics of the global economy, paper presented at The Latin American Faculty of Social Sciences’ 25th Anniversary Conference, October 25, 2000, Mexico City. Available from the Economic Policy Institute, Washington, DC.
internationalization of production processes. Changes in the employment relationship are taking place against a backdrop of two decades of globalization in which the risks of volatility in global markets have increasingly been shifted from capital to labor. The liberalization of financial markets has increased the mobility of capital and spurred many companies to become multinationals that have geographically de-integrated production processes. The result has been a sharp decline in the bargaining power of workers and unions. It has also meant that the commitment of many U.S. companies to their workers has weakened, as has their willingness to invest in worker skills or to share productivity gains with employees.

With decisions about where to locate the various stages of the production process largely the prerogative of management, and even successful plants subject to being closed, the large companies that once invested across-the-board in their workers may have less incentive to do so today. Internal labor markets, with their webs of mutual responsibilities among employees, and between employees and the company, appear to be weakening. Certainly, the international business press has actively conveyed the message that the pressures of globalization justify even successful businesses in opting out of their obligations to provide workers with job security, skill development, and opportunities for advancement. Workers have been advised to “pack their own parachutes” – to develop their own skills, build their own careers, and focus on employability, since employment security is a thing of the past.

In the U.S., where unions represent about 11 percent of private sector workers and social protections against redundancies are weak, downsizing has been rampant since the 1980s. Unlike layoffs, which companies once resorted to during periods of low demand and mounting losses, downsizing has become a fact of every day life. Even the tight labor markets and high profits of recent years haven’t slowed this churning by companies. Half the 1200 major companies in the American Management Association’s 1999 annual survey reported that they had eliminated jobs in the previous 12 months. Only 15% cited inadequate demand conditions as the reason for cutting jobs, while the rest cited such reasons as organizational restructuring, reengineering of production, adoption of new technologies, and merger or acquisition.

Many of the companies that eliminated positions also added jobs during the same time period. As a group, companies that cut jobs increased total employment by 5 percent. Apparently, companies feel free to let current employees go, rather than to retrain and retain them, and to hire new workers as needed. They seem to be saying that hiring – even in good jobs – no longer carries with it a long-term commitment to employees.

The common perception is that the employment relationship has become more tenuous, and that the commitment of firms and workers to each other has become attenuated.

This perception is not limited to the U.S. and the U.K., which are generally viewed as having the most deregulated labor markets. It is commonly argued that the employment relationship in all of the industrialized countries has been
weakened, that permanent, long-term jobs are threatened, and that nonstandard or atypical work arrangements – part-time work, temporary jobs or time-limited contracts, and independent contractor and freelance jobs – are on the rise everywhere. Indeed, if employers use nonstandard work arrangements to evade the social protections to which workers with regular employment contracts are entitled, the incentives for using nonstandard employment may be actually higher in Europe. For example, in many EU countries workers with indefinite employment contracts can only be fired for cause and have rights to advance notice of layoffs and generous severance pay. Employers may use fixed term contracts to avoid these restrictions. The experience of France and Spain, where the use of fixed term contracts fell after protections for standard workers were relaxed, suggest this may well be the case.

In the U.S., about 30% of the workforce is employed in nonstandard work arrangements and, despite increases in agency temporaries and contract workers, the overall figure has edged down slightly since 1995, the earliest year for which we have data on the full complement of these work arrangements. It is not clear that this is an increase over the proportion of such jobs 25 years ago. The U.S. has always had a large, low wage secondary labor market in which women, minorities and immigrants were disproportionately employed in insecure jobs that lacked benefits or opportunities for mobility.

What is new today is that nonstandard jobs encompass widely differing types of workers and work arrangements. Agency temporaries, a rapidly increasing although still small share of the workforce, are not confined to the secondary labor market. They are employed in a wide range of industries and occupations – including manufacturing, law, and accounting as well as clerical and sales jobs. The web designers, software developers, financial consultants, and other independent contractors face very different circumstances than the women who fill the many part-time jobs in retail trade, fast food, and hotels. Yet, despite the wide disparity in their wages, all of these workers confront insecurities. Their tenuous relationship to an employer means that they face great challenges in matching their skills to firms' job requirements, in acquiring training, in maintaining income stability, in achieving career mobility, and in gaining access to health benefits, paid vacations, paid leave, and pensions. In addition, they often lack the social protections available to workers in standard jobs – unemployment insurance, for example. This has become painfully clear to the independent contractors who worked in the software industry as the dot-com mania has subsided in the U.S.

The weakening of the employment relationship extends beyond the wider use of atypical employment relations – the standard employment relationship itself has changed. Some changes seem well established – layoffs of white-collar and managerial employees now occur at consistently higher levels than in the past. Firms continue to emphasize “core competencies” and to outsource many operations, including technical and professional, that were previously done in-house. Over the last 20 years, companies have shut down large parts of their operations and contracted with other firms for parts and components; for mainte-
nance, machine shop, and clerical services; for billing and human resource services; for data entry and computer services; and for janitorial and food services. This process appears to have accelerated in just the last few years with the emergence of the Internet as a major business technology.

Blue- and white-collar workers have been laid off from good paying, career jobs as a result of the restructuring of businesses. The job loss is not always large. But even when the number of people who are let go is small, downsizing leads to turmoil and morale problems because it represents a betrayal of the implicit contract between firms and their employees. The resulting mistrust and insecurity affect a far larger number of workers than those whose jobs have actually been eliminated.

Since the Second World War, large companies have hired and trained workers and, through internal labor markets and career ladders, matched employee skills to the requirements of jobs. In the course of this, they have provided a high degree of employment security and wage mobility over the long term. Unions set the standard for middle class wages and generous health and pension benefits as well as paid vacations and sick leave. And many large non-union companies followed.

The public perception is that many large employers no longer feel the need to undertake strong commitments to their workers. And that workers have been left to their own devices as companies handed them responsibility for their own careers. Unions have been weakened by job losses as unionized plants have been closed. This, in turn, strengthened the hand of employers, who faced diminishing opposition to ill-thought out experiments with business restructuring and reengineering that are costly in terms of their effects on workers’ lives and livelihoods.

While worker’s perceptions are clear and their insecurities about their jobs and their future have increased, there is some ambiguity in the data about the extent to which the “social contract” between corporations and their employees has unraveled. An excellent review of recent research on the standard employment relationship in the U.S., and whether it has been changing, sorts out many of these issues. The authors, Annette Bernhardt and Dave Marcotte, identify standard employment with internal labor markets. They describe internal labor markets as including “(1) a long-term employment relationship; (2) wages that are sheltered from market wage fluctuations and are instead determined by administrative rules tied to job classifications and rank; (3) upward mobility within the firm, so that wages rise with seniority and promotions; and (4) company-sponsored [health and pension] benefits.”

With respect to the long-term employment relation, they find that job tenure has declined only mildly overall, as declining job stability for men has been

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moderated by the influence of longer tenure for women, who are less likely today to leave paid employment when they have children. However, there has been a strong decline in job tenure among young workers, among those who lack post-secondary education, and among African Americans.5

With respect to wage setting, Bernhardt and Marcotte find evidence that wages are increasingly set in external rather than internal labor markets. In manufacturing, the globalization of trade appears to have increased employers’ preferences for wage flexibility and moved them away from internal labor markets.

As the authors point out, “one of the main concerns about changes in ‘standard employment’ has to do with the opportunities for workers to build a career” and experience wage growth over their working lives. They find that there is less upward mobility in wages. They also find that health and pension benefit coverage has declined in a manner consistent with a decline in internal labor markets. Access to these benefits is one of the main advantages of standard employment in the U.S.

They conclude that, while the evidence is not conclusive and it is necessary to wait for data that are richer, more accurate, and cover a longer time period, the recent research “suggests that the contours of the standard employment relationship have indeed changed.”

The effects of wider use of nonstandard work arrangements by firms and the changes in the standard employment relationship have been to undermine the firm as a labor market institution. This is a significant development of the last two decades for American workers. The U.S. lacks a common K-12 school curriculum and training programs that certify the skills of non-college graduates. Traditionally, U.S. companies assumed responsibility for initial training and for managing the school-to-work transition for new high school and college graduates. Access to health insurance and a pension depends on what employers offer. Much more so than in European countries, companies in the U.S. have functioned as an important labor market institution.

An increasing number of middle class workers, who hold what appear to be good jobs in terms of wages and working conditions, are nevertheless at risk in terms of access to training, opportunities for wage mobility, employment security, access to quality health care, and a secure old age. Today, it is not only less-skilled workers with low paying jobs in the secondary labor market who are insecure about their jobs and their futures. Many middle class workers, despite high incomes, are subject to such uncertainties.

Some workers prefer nonstandard work arrangements and some employers utilize these work arrangements to fill in for workers on leave, to meet peak

5 These findings are consistent with those of Peter Auer and Sandrine Cazes, who examined the job tenure of workers in the U.S., Japan and the European Union in the 1980s and 1990s. Auer and Cazes found low average job tenure and declining job stability for men in the U.S., rising average job tenure for men and women in Japan, and broadly stable or rising job tenure for men in most European countries and low but rising job tenure for women. Peter Auer and Sandrine Cazes, “Stable or Unstable Jobs: Untangling and Interpreting the Evidence in Industrialized Countries,” Paper prepared for the Non-Standard Work Arrangements Conference, Augusta, Michigan, August 2000.
demand, or for similar business reasons. These mutual needs and desires can be accommodated without discriminating against workers in atypical jobs or undermining the security of those in regular employment.

Policies that would make this possible include:

• **Parity for workers in nonstandard jobs.** Guarantee equal hourly pay and pro-rated health and pension benefits for workers performing the same job, regardless of employment status.

• **Proper classification of employees.** Enforce laws that prevent the misclassification of employees as temporary workers and independent contractors so that employers can evade their responsibilities with respect to taxes, benefits, and social protections.

• **Reform employment law.** Extend the regulations and social protections in employment law to workers in nonstandard jobs – for example, unemployment insurance, workers’ compensation, social security, and the right to organize unions.

• **More good part-time jobs.** Encourage private sector employers to create part-time, say 4-day week, jobs in a wide array of occupations.

### THE MARGINALIZATION OF CARE WORK

The third trend that has contributed to new insecurity for working people is changes in the social norms governing paid work and unpaid care work. The marginalization of care work and of those who do it has raised the stress and anxiety experienced by working families.

The norms of behavior that characterized work and care in the industrialized economies for most of the long period following the displacement of the farm and family economy by the factory and industrial economy can be characterized as the breadwinner – homemaker model of work and care. Briefly, men worked outside the home for wages to provide for the financial security of their families. They were expected to earn enough to meet the family’s needs for cash, and the demand for a “family wage” was a high priority for the industrial unions that emerged to represent male wage earners.

The home became the separate sphere of women. Homemaking and motherhood were recognized as important vocations for women, who were viewed as uniquely suited to carry them out. Wives looked after the needs of their husbands and cared for them after their day at work. Women undertook the unpaid work of caring for children and the elderly and contributed directly to the family’s economic well-being by sewing, canning, and cooking.

The breadwinner-homemaker system may have constrained the choices available to men and women, but it provided them with clearly delineated social roles and placed a high value on the separate contributions that each made. Women’s’ work in the home, like men’s in the paid labor force, was a source of pride as well as a very real contribution to the family’s standard of living.
Many households, of course, did not conform to this norm. Some women never married and lived as dependents or servants. Others were widowed or had husbands who could not support them and their children, and were forced into paid employment. They labored in marginal and insecure jobs and at wages far less than those earned by men. A few had the means and education to pursue their own ambitions. But the norms of work and care were clear, and the separate contributions of men in the economic sphere and women in the family sphere were valued.

As men left the family economy to become wage earners, the economic security of the family came to hinge on the ability of a lone earner to hold a job. Governments, prodded by unions and social movements concerned about the plight of families in which the wage earner could not find a job or was too old or sick to work, enacted social protections and took on a growing role as guarantor of the welfare of their citizens. These included workmen’s compensation for men injured on the job, unemployment compensation for those laid off from work, old-age pensions for those too old to work, and survivors’ insurance for widowed women and their children. These measures were supplemented in some countries with various other social protections – disability insurance, paid sick leave, paid vacations, generous severance pay, and provisions for early retirement.

The breadwinner-homemaker model did not exclude all women from paid employment. Many young single women were drawn into the labor force in the early years of the 20th century. Most women quit their jobs when they married, however.

The participation of women in paid employment increased steadily during the last century. Rising educational levels of women, the drafting of women into paid employment during wars, the growth of the service sector, and the emergence of the caring professions all encouraged women to move outside the domestic sphere. The caring professions – teaching, social work, nursing – provided acceptable careers for women who never married, and employment for married women in the years before they had children. Most married women still left paid employment when their children were born. The exceptions were mainly college educated women and those whose husbands could not support them.

Dramatic increases in the employment of married women with children are rather recent. They began 25 years ago in the U.S., earlier in Sweden and some of the other Nordic countries, and much more recently in the countries of Western and Southern Europe. It is instructive to compare the reasons for these increases in female labor force participation in the U.S. and Sweden.

Among working class women in both countries, the rise of married women’s participation in the labor force was fueled in part by advances in technology and industrialization. These advances undermined the ability of women to contribute to their family’s standard of living – and to the output of the economy – through their own efforts at canning food, sewing clothing and other textiles, and nursing the sick. But here the similarity ends.
The rapid entry of women into paid employment arose earlier in Sweden and was the result of two developments. The first was a general recognition that the small size of the population meant that the standard of living in the country depended on the contribution of women as well as men to economic output. Public discourse has focused on the importance of this contribution, and on the steps society needs to take to secure it. The second was the development of the social welfare state during this period, which expanded employment for women in the feminine caring professions and situated it in the public sector.

Care work is relatively well paid in Sweden, and excellent facilities for the care of young children and elderly parents are widely available, either as public or subsidized services. Families have access to a variety of social insurance programs that facilitate combining care and work responsibilities – paid maternity leave, paid parental leave, paid sick leave, paid leave to attend to sick children, generous paid vacation leave, and shorter working hours when children are young.

There is a dual relationship between Swedish women and the state, since the public sector is the major employer of women and, at the same time, the state has created the conditions for women’s paid employment. That is, the state provides a highly developed, publicly funded system for the provision of education services, health care, care for the elderly, and care of young children. It also provides publicly financed leaves and subsidized part-time work for parents of young children (taken mainly by mothers). But this highly developed system of public services to relieve women of domestic care responsibilities and enable them to hold a job coexists with a high degree of occupational segregation. Men hold the higher jobs in the public sector hierarchies, and women are largely excluded from jobs in manufacturing and from professional and managerial jobs in the private sector. In these jobs, employers still view the full-time male breadwinner of an earlier era as the ideal employee.

In the U.S., in contrast, the rapid entry of married women into paid employment over the last 25 years was fueled by stagnant or declining wages of men as the standard employment relation, which had provided men with rising wages over their working lives, began to unravel. Married couples stayed off a decline in the family’s standard of living by increasing family hours of work. By 1979, middle class couples with children worked 3,272 hours a year on average – a little more than one full-time and one part-time job. And in 1998, these families worked, on average, 3,885 hours a year – equivalent to two full-time jobs.

The employment of married women in the U.S. was conceptualized not as a contribution to the nation’s standard of living, but as a private response to the financial problems facing individual families. That has made all the difference. While the entry of men into the industrial labor force was accompanied by the development of social insurance to meet the family’s needs for financial support if the wage earner were unable to work, no similar response by government to the entry of women into paid employment has been forthcoming. Arranging care for children while both parents work is seen a private family responsibility. The only federal government initiative was the passage, in 1993, of an act that
requires large employers to offer twelve weeks of unpaid family or medical leave to workers. Many workers cannot afford to take unpaid time off from work, and many others are not even covered by the provisions of the law.

The fact that nearly every available adult is in paid employment in the U.S. has had a profound effect on the ability of families to meet the personal needs of working adults or to care for children, the sick and the elderly. The contradictions between the demands of homemaking and the demands of paid employment, and the unrealistic expectations for women who have shouldered that double burden, have not been addressed in the public discourse. They have been “resolved,” if one can even use that word, through the devaluing of care work and the marginalization of the (still mainly) women who perform it. New social norms of work and care have emerged in the last two decades.

A new system of norms has emerged in the U.S., and I am sure that this is true in many other industrialized countries as well. Anyone – male or female – can work. The only requirement is that, as employees, they should conform to the norm of the ideal worker. An ideal worker is a worker who behaves in the workplace as if he or she has a wife at home full-time, performing all of the unpaid care work that families require. Personal problems do not belong in the workplace. Conflicting demands are expected to be resolved in favor of the requirements of the job. Indeed, workers can be – and frequently are – fired if their care responsibilities interfere with their jobs.

Mothers often take part-time jobs while their children are young, and the number of part-time jobs in the U.S. increased with the first influx of women into paid work. But part-time employment stabilized in 1979 at 18% of the workforce, and hasn’t changed much. The composition of part-time jobs also hasn’t changed much. These jobs are found overwhelmingly in industries and occupations in which pay is low and benefits are often not available. Part-time workers can legally be paid less than full-time workers who do the same job, and can be denied benefits and paid leave. These types of part-time work do not really solve the problems of working women, who still must combine work and family but lack the financial means to purchase good quality day care, prepared foods, dry cleaning and mending, or house cleaning services.

Since most households now have every available adult engaged in paid employment, and most married couples in the U.S. – even those with young children – are dual earners, there are great stresses on household members. These are borne disproportionately by women, who still have the main responsibility for domestic homemaking and care. Mothers with children at home and, to a lesser extent, fathers shoulder a double burden. But, employers are under no obligation to take note of this. If workers wish to retain their jobs, then compromises will have to be made on the care side of the equation – in time spent on housework and in the quality of care for children and elderly parents.

This system of norms in the U.S. can be characterized as the ideal worker-marginalized care-giver model. Men or women can work if they conform to the old ideal of the male employee with no domestic work responsibilities; care work is to be fit in, somehow, without impinging on the employee’s availability...
Care giving, and those who provide it, have been marginalized. Even women who pursue homemaking on a full-time basis are dismissed as “just a housewife,” the important care work they do devalued. This has been taken to an extreme in the case of poor single mothers. The recent “reform” of welfare (i.e., aid to families with dependent children) in the U.S. has placed a greater value on having a woman work at minimum wage at McDonald’s than on having her care for her child – even though her earnings will still leave her and her children impoverished. Care work provided at home, whether by single moms or married housewives, has been devalued – and so have the women who perform it.

Despite the fact that most mothers are working, the U.S. lacks an adequate system of caring for children. Children’s care is provided by marginalizing the untrained and underpaid child-care workers who provide it. Much the same can be said about care for the elderly. Earnings of the women who care for children and the elderly are extremely low, and turnover rates are excessively high. As a result, the quality and continuity of care of the most vulnerable members of society suffers. The externalization of these services from the family to the marketplace, and the rapid rise in employment in these jobs, has fueled the expansion of the low wage sector. Despite the low earnings of these women, however, the costs of these labor-intensive services absorb a huge fraction of the incomes of the families that require them.

Most industrialized economies do far better than the U.S., providing paid maternity and parental leave, for example, as well as paid sick leave and caregivers leave. Few have provisions as generous as Sweden and many provide child-care, nursing care, and elder care through the private sector. Some, like the Netherlands are deliberately pursuing another path – organized around widespread availability of good part-time jobs in the private sector to share the work of caring between men and women, and to avoid the marginalization of care work, and the segregation of women’s jobs.

Despite these efforts families where every adult is working face high levels of time pressure in nearly all of the industrialized countries and new insecurities. In most countries, the worry is how they can handle the high demands of the workplace and still provide adequate care for children and elderly parents. In the U.S. this is widely acknowledged as one of the most significant sources of insecurity for working families. Mothers, in particular, often face impossible choices between missing work and losing their jobs and their ability to put food on the table, or going to work and sacrificing the well being of their children.

In Sweden, the wide array of care facilities and generous paid leave policies spare women from facing such dreadful choices. Nevertheless, the Swedish system has its own, if less threatening, insecurities. The severe recession in the first half of the 1990s exposed the vulnerabilities of the Swedish system in which care work may not be marginalized but care occupations are highly gender segregated, and women are employed overwhelmingly in these and other public sector jobs. The large government budget deficits associated with the recession
led to subsequent cutbacks in funding of public services. Women are disproportionately vulnerable to these layoffs, but even more pressing is the intensification of work as patient-to-nurse and child-to-day care teacher ratios rise. Today in Sweden, work stress and its health effects is a major topic of discussion – between the social partners and in every day discourse among the public.

Looking to the future, we can imagine a new set of norms for work and care – a model of shared work and valued care. Shared work has multiple meanings. It encompasses sharing work with other aspects of well being; sharing paid work among people through shorter work weeks, reduced hours, flexible schedules, and job sharing; sharing access to good jobs in both the public and private sectors, including professional and managerial jobs; sharing care work within the family among all family members; sharing work with other community and government institutions that help with care work, subsidizing the pay of care workers, and facilitating paid work by providing a variety of other work supports. At the heart of these new norms is the recognition that a high value can only be placed on care work if all work is shared.

Unions have a major role to play in negotiating the conditions in the workplace that facilitate both shared work and valued care. This is especially true with respect to the working time initiatives that are being implemented in many European countries. Innovations in working time do not necessarily enhance equality or improve welfare for either men or women workers. These changes in working time arrangements have mainly been pursued to increase flexibility for employers or to create jobs. But they have opened up new possibilities for increasing employees’ command over time. In a world of shared work and valued care, all workers – not just women – will need to gain greater individual control over the division of their time between paid employment and unpaid care work. Unions can contribute by negotiating the framework for individual flexibility and defining common standards of flexibility to minimize the chances of discrimination or marginalization of workers who take it up.

Public policy has a most important role to play in helping nations achieve the norms of shared work – valued care. Some industrialized countries are already pursuing a variety of such policies to alter working time regulations. The recently enacted “Adjustment of Hours” law in the Netherlands requires employers to honor requests for either a greater or lesser number of hours of work unless there is a valid business reason for refusing. This may facilitate the adjustment of hours of work over the life course – full time in the early years to establish a career, four days a week for each partner when there are young children, full time as the children grow older, part-time in the pre-retirement years. And it should result in a reduction in hours with no reduction in the quality of the job, although pay and benefits would be pro-rated. Combined with laws that protect part-time workers against discrimination, this may provide a powerful motivation for the development of norms of shared work by both parents in the home and at the workplace.

Universal day care, pre-school and elder care make it possible for families to share care work with community and government institutions as in Sweden.
and other Nordic countries and in individual communities scattered across the industrialized countries, such as the Italian city of Bologna.

There are five cornerstones of public policy to facilitate a system of shared work and valued care. They are:

- **Hours of Work Legislation** to allow for a shorter standard work week for all, flexibility for workers, longer part-time hours, and limits on mandatory overtime.

- **Equal Opportunity and Non-Discrimination Provisions** to protect workers on part-time schedules from discrimination, and to encourage private sector employers to make good part-time jobs widely available.

- **Share the Cost of Care** by investing in daycare and elder care infrastructure, and by providing subsidies for child care and elder care, short-term carers' leave, subsidized wages or tax credits for care givers, universal pre-school, and after and before school programs for children.

- **Untie Benefits from Individual Employers** by making access to health insurance available to everyone without regard to employment status, and by establishing funds similar to unemployment insurance for maternity leave, parental leave, and long-term family medical leave. Provide a floor under wages by indexing the minimum wage to the median wage.

- **Update Income Security Protections** such as unemployment insurance and old age pensions. In many countries, tax provisions and government programs that provide social security or unemployment insurance are geared to the breadwinner-homemaker model of work and care and to the standard employment relationship. These policies need to be updated to reflect the changes and great variety in family structure and in work arrangements. They need to be reformed to provide more generous income supports to low wage workers by providing credits through the tax system and to provide minimum adequate income supports for single parents and others unable to work.

The industrialized countries vary in the extent to which care work has been marginalized and workers in part-time jobs have been excluded from the standard employment relationship. It depends, in part, on how far they have gone in implementing the policies described above. Most industrialized countries – even apart from the Nordic countries or those of Western Europe – are far ahead of the U.S. Mothers in Italy and Japan get paid maternity leaves. Japan heavily subsidizes companies that provide infant care facilities for their employees. Even Australia, which like the U.S. lacks paid maternity leave, provides 4 weeks of paid vacation leave each year (pro-rated for part-time workers) and short periods of paid caregivers leave to care for children or an elderly relative.

**THE UBIQUITY OF DIGITAL TECHNOLOGY**

Discussions of computer and information technology often conjure up visions of a dynamic and growing New Economy, where technologically sophisticated...
workers, employed by fully networked companies, spend their workdays on-line on creative and exciting projects. This is contrasted with the stodgy Old Economy, where jobs are dull and companies manufacture products that are sold in “bricks and mortar” stores. This is a highly romanticized view of high tech jobs, and a completely inadequate and misleading assessment of the role of information technology. Like electric motors, computer chips and microprocessors can be found everywhere – not just in high tech workplaces but in cars, appliances, and thermostats at home and in overhead cranes, coke ovens, industrial robots, and test equipment in factories and mills. It may be helpful to refer to the ubiquitous use of digital electronic technologies that control equipment or transmit information as digitization, by analogy to the electrification that, in the first half of the 20th century, provided the infrastructure for the way we live and work. And, like electrification, digitalization will raise productivity growth and make many things possible, but it will not by itself eliminate inequality or insecurity.

In the U.S., information technology has now begun fueling rapid growth in labor productivity. This is a rather recent phenomenon. Just a few years ago, economists were focused on the “productivity paradox,” summed up in the statement that computers could be seen everywhere, except in the productivity data. The puzzle was why productivity growth was so low despite the billions of dollars that companies invested in information technology in the 1980s and early 1990s. New research by economists at the Federal Reserve Board in Washington, DC appears to have resolved the paradox.\(^6\)

The researchers concluded that computers could not contribute much to the rate of growth of output through the mid-1990s because they were such an extremely small part of the total capital stock. However, the contribution of information technology capital to output and productivity growth between 1996 and 1999 nearly doubled. This is the contribution to growth from the use of computer hardware, software, and communication equipment. In addition, there were substantial improvements in efficiency in producing this equipment that also contributed to growth.

But the growth in the stock of computers and other information technology capital is only one part of the productivity story. Companies have had to match their organizational structure to the capabilities of the new information technology. And this has taken time. Major changes in work practices – sometimes referred to as high performance or high commitment practices – have been adopted by companies trying to meet the new standards of competition.\(^7\) My own


research finds that, in manufacturing, high performance work systems, in which workers share decision making responsibility with managers, really do deliver improved performance for the plants that adopt them. We found that they also pay off for workers in terms of more interesting work, greater employment security, and a high trust environment that results in greater job satisfaction. And worker surveys show that over 70 percent of American workers want a direct voice at work. Thus for some workers, information technology and the changes in work organization that it has motivated have improved the quality of jobs.

Yet many manufacturing firms still follow the low road, intensifying work, speeding up the line, and attempting to compete on price alone. In the process, they sacrifice the wages, security, safety, and well being of their workers. A narrow focus on share holder value often means many managers won’t invest in retraining their workers and reorganizing their workplaces, simply because it costs money up front and takes time to yield results. Moreover, managers are reluctant to share power with workers.

The effects of information technologies on work in services are quite complex, and may not lead to the same type of virtuous dynamic as in manufacturing. Early research on the effects of these technologies in services focused on whether they had the effect of deskilling or upskilling workers. Today, however, the salient point appears to be the polarization of skills.

Jobs in services are being restructured for a variety of reasons that include deregulation and new customer service strategies as well as intensive investment in computer and communication technologies. Technology is used to bundle packages of services together and to segment customer markets according to the complexity and prices of the bundles of services likely to be purchased – often into business and residential segments, or into high- and low-income segments. The quality of customer service – and the quality of customer service jobs – in these segments may be very different.

There is a direct link between the customer segment and the labor-market segment. In services, the combination of technology and high performance workplace practices may lead to more skilled work and high quality jobs for workers providing services at the high end of the market. Service workers whose customers or clients require less complex or low-value-added services may find their skills devalued and the quality of their jobs degraded. Computer and communications technologies are used to concentrate customer service activities in call centers in a wide range of industries. This has sometimes led to the creation of electronic sweatshops in which wages are low and surveillance is high for workers, mainly women, in activities as varied as airline reservation clerks and classified ad takers to credit card information clerks and insurance claims adjusters.

One important effect of information technology is that it has changed the relationship between companies and their suppliers. In the past, large manufacturing concerns produced many of the inputs they needed themselves. Today, however, technologies such as electronic data interchange (EDI) and Internet-based systems of procurement have reduced the cost and time involved when
companies interact with suppliers. As a result, many firms have begun to place
greater reliance on outside contractors, domestic and foreign. Computer-based
supply chain integration has shifted the firm’s “make or buy” decision away
from making parts and components to buying them. Ford, for example, recently
announced plans to set up a web site, called AutoXchange, for purchasing goods
and services – from paper clips to stamping presses. Ford has an $83 billion-a-
year purchasing budget and 30,000 suppliers.

Global supply chain organizations, like other types of firm networks, got a
real boost from the development of business-to-business e-commerce and from
the movement of enterprise resource planning tools to the Internet, where firms
are learning to use them to coordinate global inter- and intra-firm relationships.
Numerous kinks remain to be worked out. But computer-based interorganizational systems are becoming more sophisticated and effective. Information
technology has enabled the geographic de-integration of production, and will continue to facilitate the further internationalization of production processes.

Increasingly, high tech jobs color our views of the employment relationship.
Employment in the computer hardware, communications equipment, and
software industries is expanding rapidly. In the U.S., five of the 10 fastest
growing occupations in the U.S., 1998-2008, are computer occupations –
computer engineers, computer support specialists, systems analysts, database administrators, and desktop publishing specialists. Moreover, systems analysts and computer support specialists are now up there, along with cashiers and retail sales persons, among the 10 occupations that are expected to create the most new jobs.

The hardware and software engineers, systems analysts, programmers, and
new media workers and web designers include large numbers of highly skilled
and highly paid independent contractors. Even high tech workers in standard
jobs often view their assignments as temporary or project-related, moving on to
the company with the next hot project when their current one ends. Silicon Valley
companies claim that the average tenure of a software engineer is less than two
years, and data for California show that almost half of the state’s workers have
been with their current employer for less than two years. Such short tenure blurs
the distinction between contractors and employees. Until recently, high tech
companies welcomed these arrangements, which minimized their responsibili-
ties to the high-priced professionals doing the cutting edge work, and who might
not be needed next year. In the last few years, however, the explosive growth of
Internet applications has led to tight labor markets for high skilled IT profes-
sionals, which are exacerbated by the high turnover and constant job churning
of these workers.

In contrast to the independent contractors, who tend to prefer this way of
working, temporary workers in the IT-producing industries are among the least satisfied with their employment relationship. Overwhelmingly, these are workers
who desire regular, full-time jobs and have accepted temporary placements on
what they hope really is a temporary basis. Unfortunately, as many have learned,
these are so-called “perma-temp” positions – jobs that are permanently filled by
IT companies on a temporary basis in order to avoid the pension, health insurance, stock options, and other obligations toward regular employees. Computer skills and problem-solving capabilities are not sufficient to get these workers a real job, much less to provide them with benefits, training, or a secure future.

In Silicon Valley, labor markets are characterized by high levels of turnover and by complex subcontracting relationships. A very high percentage of the workforce is employed in nonstandard jobs. The extent of nonstandard work in this region is significant. Temporary employment through temp agencies grew 170% between 1984 and 1998, from 1.6 percent of the workforce to 3.5 percent. This is almost twice the national average for this type of work arrangement. Even for workers in standard employment relationships, rapidly changing skill demands lead to high levels of stress and insecurity.

Taken together, these brief considerations suggest that information technology is having profound effects on workers. Many highly skilled workers thrive in this volatile atmosphere, but even they are not spared the insecurities associated with nonstandard work – no health insurance or pension, no unemployment insurance, no easy way to keep their skills current. For many other workers, who lack specialized IT skills and the high pay they command, the volatility and lack of income stability combined with the lack of benefits or social protections have meant very high levels of insecurity.

New technology has raised productivity growth and may make possible improvements in living standards or shorter working hours. It has also improved the quality of jobs in organizations with high performance work systems. But there is a dark side as well. Information technology facilitates other trends that undermine the security of workers.

CONCLUSION

I have tried to emphasize in my remarks today that the extent to which each of the four trends I have examined contributes to the “new insecurities” of workers in the industrialized economies varies by country. In particular, it depends on the strength in each country of the institutions that represent workers’ interests when decisions are made – unions, works councils, union confederations, and labor parties. It depends as well on the social protections available in each country and on whether individual workers and their families are buffered against the vicissitudes of unfettered markets.

It is precisely these differences in the experiences of workers in the industrialized countries that are one important source of optimism about the future. Institutional arrangements matter. Yes, workers in every country face conditions that are less secure than those they experienced 25 years ago. But the difference
in degree of insecurity between non-professional women workers in the U.S. and their Swedish counterparts, to take only one obvious example, is extraordinary. Despite the rhetoric that there is no escape from the inexorable pressures of globalization or technology, comparable workers in different industrialized countries are subject to very different levels of insecurity. Successful multinational companies that operate in many different countries manage to be profitable while playing by very different rules of capitalism in each of them.

A second source of optimism arises from the “new insecurity” itself. Even 25 years ago there were many unskilled, low-wage workers in each of the industrialized economies, and many others excluded from access to paid work, whose lives were precarious and insecure. Disproportionately, these workers were minorities, female, immigrants, the very young, or the very old – everyone, that is, except the prime-age men from the dominant culture employed in manufacturing or as professional employees in large organizations. That was the “old insecurity.” Organizing workers in the insecure jobs in the so-called “secondary labor market” was a daunting task for those unions that undertook to try to extend to them the benefits of free association and collective bargaining. And, to their shame, too many never tried.

The “new insecurity” is no respecter of the privileges of skill, gender, skin color, or national origin. In the U.S., the high powered web designers and software engineers plying their trades as independent contractors in New York’s Silicon Alley or California’s Silicon Valley are as likely as regular part-time workers to lack health insurance coverage. In some European countries, high and persistent unemployment is almost as much a problem for high skilled as for low skilled. Everywhere, the job security of regular full-time workers has become more tenuous, making them anxious about their futures even if the dangers are not imminent. And in every country, family hours of work have increased and lack of control over work time and work schedules has raised stress at home and at work.

This is fertile soil for the resurgence of trade union movements that can capture the popular imagination by organizing women and men around themes that resonate across a wide spectrum of occupations, skills, and earnings. As an increasingly powerful institution representing the interests of working men and women, resurgent unions can engage the political process and press the policy agendas outlined above.

Thus, looking to the future it is possible to identify rays of optimism. The present, unfortunately, is characterized by a decline in union membership and bargaining power and by the weakening of social protections for workers and their families. There is reason enough for concern about the emergence of new insecurities.
The main thrust of Eileen Appelbaum’s report is that the regulatory system is being eroded away, as distinct from, or even opposed to, the collapse that has been diagnosed in recent years in reckless talk of the inevitable decline of paid employment or even the end of work itself.

I entirely support this argument, which has the great advantage that it takes account of all the parameters involved in the current situation, which contains contrasting, not to say contradictory, elements. For example, the protections associated with work are being weakened and insecurity is increasing. But protection is still there, surrounding and cutting through this precariousness, so doom-laden interpretations such as economic disaster (Viviane Forrester) or exile from work (André Gortz) are actually based on a one-sided, biased and partial reading of the present situation.

A second advantage of this view of current transformations as a gradual erosion, is that it allows us to question the outcome of the changes we are seeing. We have to ask whether the sequence of developments over the last 20 years which constitute this erosion are irreversible changes which are inevitably going to carry on deepening. Or are we in the trough of a wave representing a transitional phase in the transformation of capitalism which we are about to move on from?

This is about predicting the future but it might serve some purpose to try to put this sequence in an historical perspective. We are unquestionably in the middle of a period of destabilization in western Europe, which followed on from a phase of consolidation after the Second World War. In other words, some time in the mid-1970s the type of social compromise that seemed to have been consolidating since the end of the Second World War was caught flat-footed by the drastic economic and technological changes that took place. But are we now seeing tomorrow’s capitalism moving at cruising speed, or is it a period of creative destruction, to use Schumpeter’s phrase, which could produce a new balance between the interests of labour and those of capital?

We can now start to argue in favour of this second theory, in other words that economic growth, if it proves to be such, and the demographic changes expected in the short term can change the relationship between supply and demand on the labour market. It is not unrealistic to think of a return to new
forms of full employment, nor does it stand to reason that the extremely cynical use of workers as tools is the most effective strategy for achieving capitalism’s best interests.

The same applies for company mergers on purely financial grounds. If, to use (and misuse) a management term, a worker is also ‘capital’, if he/she represents human capital, he/she might want to exploit this for his/her own benefit, both because the ratio between supply and demand on the labour market is no longer unfavourable, and because the demands which the most modern forms of capitalism impose on workers probably cannot be most efficiently achieved without a minimum level of security, consideration and guarantee for the future – what the ILO refers to as ‘decent work’. So it by no means stands to reason that the disposable worker that Robert Reich talks about, who is entirely subject to direct competitive imperatives, is the paradigm of the worker of tomorrow. There is a power relationship between capital and labour which is not fixed in stone, but which probably first depends on the abundance or shortage of workers available, the workers’ awareness of the fact that they can influence events because they represent an asset, and also, obviously, their combativeness and ability to organize themselves. However, it does not appear that this power relationship will necessarily continue in the form it has taken for the last 20 years, which has been fairly unilaterally unfavourable to the workers.

Of course, this is only a theory which will be borne out or disproved but I think that the assessment that Eileen Appelbaum has given us still allows for the possibility of new regulations. Although some of the changes that have taken place over the last 25 years are irreversible, I feel it is important to talk about erosion rather than collapse because it allows us to think that this sequence may be a transitional part of the time-honoured, and as yet unfinished, process of transforming paid employment. As for the future of those in paid employment, it seems to me that not all the bets have been placed, the ball has not yet landed on a number, particularly as the future of work will also depend on what is done, or not done, today to try to put a stop to this erosion. But if we think that the erosion is only relative, then it allows us scope to resist it and to head off in other directions.
Labour flexibility is certainly one element of the new insecurities which Eileen Appelbaum talked about, and it is also one dimension of the risk of inequality at work, particularly between men and women.

There is a problem with how the term flexibility is used, and insecurity is automatically presented as a serious risk. With flexibility, agreements and value judgments vary a lot more widely depending on the employers’ and workers’ organizations involved, and also depending on the country; in the United States, for example, some workers’ and trade union demands are for greater flexibility, or flexitime, together with what we in France would call ‘own-choice’ working hours.

In France and certain other countries of western Europe, on the other hand, trade unions regard the current development of flexibility as a threat to working and living conditions. Indeed, in France part-time work, which is one of the main instruments of flexibility, is involuntary and imposed in 40 per cent of cases in the private sector and in 35 per cent of cases in the public sector, and there is strong resistance, with good reason, among workers and the trade unions to increasing flexibility in the personal services, retail trade and hotel and restaurant sectors, for example.

The ambiguous meanings ascribed to this term are reflected in practice. There is a right way and a wrong way to interpret flexibility. In some cases, particularly where competition is exacerbated in the short term by extremely low labour costs, flexibility can become a bad thing rather than a good one. This is the risk and I shall now look at two different areas where public and collective action can help.

The first area of public intervention helps to define levels of flexibility which are consistent with a good individual and collective quality of life both at and outside work. We might think that it is up to businesses and businesses alone to determine the levels of flexibility they wish to have, since their ability to meet their clients’ expectations is their affair, and neither the State nor other public institutions should interfere. But this is not the case. In a number of countries, public institutions have a say in whether retail businesses and public services should be allowed to open 24 hours a day all year round; they may therefore have a role to play in regulating acceptable levels of flexibility in accordance with certain social principles. There are also examples where the local authorities...
have helped to establish what are known as ‘town hours’, by regulating certain working hours to promote good overall flexibility. There are desirable limits to the relentless progress of flexibility, and these limits can only be established collectively.

The second area of public intervention, which is more important, involves promoting certain instruments and forms of flexibility management and discouraging others in order to achieve the same degree of flexibility. Studies, including some carried out by my own team, show that the same level of flexibility may be achieved without affecting economic performance by two very different, ‘flexible’ methods of managing human resources. Take an example in a low-pay sector where competition on costs is very strong and there is huge demand for work flexibility: the retail sector. In France most shops adopt a dualistic model of short-term flexibility with a high proportion of part-time work, overtime, unpredictable working hours, fixed-term contracts and extremely low wages without any negotiation on these issues, and where staff are expected to be permanently available for work and are highly demotivated.

However, we found a minority of shops that were just as flexible and just as competitive, but which had a completely different approach of long-term organizational adaptability: very little part-time work, few fixed-term contracts, little overtime, negotiated working hours in line with what the workers wanted, better pay, substantial bonuses, more multiskilled work, and staff who were considerably happier with their work and were thus more involved. How is this possible? On the face of it, it should not be.

A comparative economic analysis showed that the second group of shops, which were in the same environment, performed equally well or better for three reasons: the work was more productive, they provided a better quality of service and, above all, their staff turnover and absenteeism costs were almost zero, whereas they were very high in the other type of shop.

The second long-term flexibility management model is very uncommon in France because the environment does not favour it, nor does the ideological environment, the current labour market or retail market legislation, nor even the prevailing management norms in the sector, which tend to be short-term. Some of the rules promoting good flexibility depend on the national or other public authorities and, in particular, on labour law and labour taxation. In France, for example, the social contributions paid by employers for part-time workers were reduced in the early 1990s. This rule was supposed to promote job creation, but it actually had a very negative effect in developing poor flexibility in the retail sector and other services. It was abolished recently in response to pressure from the trade unions.

Another example: what we in France call the annualization of working hours could be bad or good flexibility, depending on whether or not it is required (preferably statutorily) to be negotiated with representatives of the majority of the staff. Here again, collective rules can make the difference.

The international public debate in this field should have a number of indicators of labour market quality, job quality and work-related insecurities in order
to monitor how they develop over time and to make reliable comparisons between different countries. I believe that it is one of the main tasks of international institutions dealing with labour and employment and of the national labour and employment ministries to produce and disseminate more representative indicators of work and employment quality and insecurity targets, over and above activity and unemployment rates. Such indicators do exist, but they are far from being in widespread use. Why do I think this is so important? Because economic and social indicators and their relative importance establish the cognitive context in which major economic and social policy choices are made, just as firms’ policies are guided by their business management indicators. It is important to know that the unemployment rate in the USA is four per cent while in Finland it is nine per cent; but also knowing that there are more people in poverty among workers in the USA than there are among the unemployed in Finland and other northern European countries relativizes the first statement considerably, provided that there is agreement on the poverty indicators. This may point labour, employment and social protection policies in a different direction. We need to increase the use and international dissemination of a whole raft of quality, work insecurity and labour market indicators. There should not be too many, but they should be accurate, representative indicators of social factors that are deemed essential.

The use of such indicators on an international scale seems to me to be a problem which is not really scientific, technical or statistical; it is all about applying political pressure to have them recognized and included in the very small circle of key figures which society uses to evaluate for itself, and to show to others its qualities and defects; this is one of many reasons why it is important for national governments to cooperate with international institutions like the International Labour Organization.
Employment stands at the interface between the production and the social reproduction sphere and Eileen Appelbaum, by choosing her two examples of the internationalization of production on the one hand and the marginalization of care work on the other, has illustrated that interface.

The insecurities occurring on both sides of this interface are creating the possibilities of a downward spiral in the degree of security in social and economic life. There is a shifting of responsibilities or an avoidance of responsibilities in the broadly defined employment sphere.

First, with respect to employment generation, the internationalization of production has meant that national governments feel less able to take the responsibility or are less willing to take the responsibility for employment generation, and multinational companies are certainly not willing to take that burden from them.

We also have the situation in which the creation of global supply chains and the creation of contingent labour markets is shifting the responsibility from the main employer to the weakest link in the supply chain. Often outsourcers and franchisees are quite rightly saying they do not have the market power to provide decent work.

Another area of shifting of responsibilities and avoidance is in the term «employability». The growth of flexible employment and contingent work is creating a responsibility on the individual to continually make themselves employable as technologies change, as employers close down and as contracts come to an end.

Finally, the fourth example relates to care work and income maintenance. Societies have always taken different routes to how they provide income maintenance and provide for care, placing different emphasis on the role of the State, the role of employers and the role of the family, but in all areas that the State is retrenching, welfare states are being cut back, employers are often offering only good pension rights or health care to a limited elite, and the family is becoming less able due to its own fragmentation and instability to provide care systems and income protection.

All this shifting and avoidance of responsibilities is taking place in a political context in which there is no real attempt to think about how we should reassign those responsibilities, how we should actually structure the world of work so that societies take responsibilities for maintaining employment,
maintaining employability, providing care and income protection. Thus we have changes in gender relations which may be a force for good for the future, but which currently are being restructured, in some countries - often the Anglo-Saxon countries - in an incoherent and rather negative way. Women are being asked to take on a dual burden and care work has been marginalized. Men are often being required, when they are unemployed, to take jobs that were designed for second-income earners in a previous era of single breadwinners. In short they are being asked to take on women’s marginalized contingent work.

I want to suggest some issues that would be important for the ILO decent work agenda.

If we turn first to the issue of labour standards and employment rights:

• How do we establish such rights and standards?
• How do we identify who is the main employer and who has responsibility in a world in which the real employer is becoming increasingly hidden through global supply chains, franchising, and outsourcing?

In the area of employment opportunities, we have the problem of who has the right of access to employment. I would argue that the period of stable full employment was actually a period of employment rationing. Access to employment was limited to men. We no longer have a consensus that such a system is appropriate but we have not moved forward to a new consensus about how to ration access to employment, a commodity which has always been in scarce supply. We need to recognize that that is one of the reasons for the continuing debate about quantity over quality in employment.

In the area of social protection, to move forward on the care agenda, we have to include care and care work within the sphere of social protection, but we need to do this in a way that does not attempt to reproduce the gender division of labour.

We also need to move forward in providing social protection for contingent work. In the past, contingent work has been created on the basis that the people participating derive their source of income protection often from the family or from the State in some way, in the sense of pensioners or people on benefits. We now have to recognize that people are being forced into contingent work who want an independent source of income, to be independent adults or to make independent contributions to the family.

Finally, with respect to social dialogue, wider representation is needed within the social dialogue and we also need that social dialogue continue to consider broader ranges of rights moving beyond rights which derive from employment in large organizations, perhaps towards citizenship rights. But while we need these new institutions, and we need new institutions that as I say move beyond rights established through continuous employment with large employers, we must not let large employers off the hook in contributing to an effective framework for decent work.

Similarly, we need new institutions to deal with the family and the welfare system, but we also need to avoid going back to the previous system of a gender division of labour between paid and unpaid work.
The new information and communications technologies, which have brought about a great leap forward in the process of globalization, eventually affect all conditions and forms of employment either directly or indirectly. Far beyond the ‘new economy’ they are bringing about huge changes in types of skills, in the very substance of the employment relationship and, more generally, in the post-war social contract.

Eileen Appelbaum clearly showed how technological change has informed or promoted changes in working conditions, skills and job stability in all forms of work under an employment contract. How common is this phenomenon?

First of all, through the introduction of new types of contracts (part-time, fixed-term, temporary or even part self-employed) with very variable social protections (retirement, sickness, unemployment), but all below those guaranteed by full-time, indefinite contracts.

In my opinion, if it is already affecting 25 per cent of all workers, it has enormous potential impact, particularly if it is associated with restructuring, outsourcing, subcontracting and early retirement, since it means that the social and occupational composition and average age of the workforce can be radically changed.

Secondly, we are seeing firms returning to the unilateral management of conditions of employment and working hours. This latter variable is increasingly rarely covered in collective bargaining, regardless of the length of the working day, and this is leading to new insecurities in private and professional life, in family organization and in the male-female relationship, as Eileen Appelbaum said.

Because of these changes the labour markets have witnessed extremely high rates of work flexibility and mobility, even in the European economies, and even in indefinite contracts. In Italy authoritative research has established that the staff turnover rate is 22 per cent per year in the private sector, and 40 per cent in small firms with fewer than 50 workers.

Of course, these figures indicate that there are pathological distortions in the labour market, because work flexibility is also a way of governing firms in an authoritarian manner and of creating a general feeling of insecurity which makes it easy to be authoritarian. Nevertheless, flexibility in work and employ-
ment is unquestionably rooted in the new technologies and in the continual transformation of occupational skills which they generate. Are the recent evolution of the labour markets and the development of precarious forms of employment not partly temporary phenomena? Probably. But they are phenomena that we need to be able to control even in this transition phase, knowing full well that there is no going back to the ‘certainties’ of Fordism.

As for the impact of these technological changes on employment, we can see that although there is no proven, established link between work flexibility and the growth of employment, the impact of the new technologies on the level of employment largely depends on their distribution, their ability to generate new products and, above all, the forms of work organization that come with them.

In any event, we are in a phase of industrial revolution that is proving all those prophets of doom wrong who predicted the ‘end of work’ and a worldwide reduction in employment.

On the other hand, when it comes to conditions of employment, we are seeing the emergence of a sharp contradiction between the responsibilities which workers are increasingly expected to shoulder for the results and quality of their work, and growing flexibility in employment.

What this means is that uncertainty arises because workers do not have an employment contract in black and white and because their job responsibility is not recognized in decisions as a form of independence, allowing new scope to reaffirm authoritarian forms of managing and organizing work.

If work flexibility is not accompanied by the continual development of skills, it becomes, for huge numbers of workers (who are not part of the elite trained and updated by the company), synonymous with precariousness and exclusion. What we are seeing, in fact, is the formation of two labour markets, one for the relatively stable employment of highly skilled people for whom work flexibility is principally flexibility within the company, and one, characterized by insecurity, for provisional jobs for workers without access to training and reskilling, both young workers and older workers who tend to be thrown out of the labour market at the age of 50 or so.

Suggestions for rebalancing the working relationship, taking account of the contradictions created by job flexibility and mobility:

1. First of all, workers need to win back some sort of control of work organization and of their time in order to meet their own demands, which are also flexible.
2. Next, new social legislation is needed to guarantee the same social protection for all the different categories of employment contracts.
3. A third sector should be developed for local services, promoting the re-employment of older workers.
4. Contracts should be fixed in black and white and individual redundancies without reason should be penalized, particularly for fixed-term contracts.
5. There should be a programme of public and private investment to implement a system of lifelong learning. In my view this is the most important of
the initiatives that might be taken to counteract the risk of increasing precariousness on the labour market.

Lifelong learning, with its updating and reskilling projects for all workers, whether men or women, employed or unemployed, and of all ages, can be an effective guarantee of employability for workers subject to job flexibility and mobility.

However, we need to take account of the possible resistance to this both in businesses and in the world of work, since employment in flexible and temporary jobs seems on the surface to belie the usefulness of investing in training and the development of human capital in the medium term.

Enormous funding will therefore be needed, to which it is vital that national authorities, and also firms and workers, contribute. For workers, continuing training should become a sort of payment in kind and above all an insurance for the future.
IMPACT OF CHANGES ON WORK AND SOCIETY
INTRODUCTION

Rather than replying in a general and, as a result, inevitably reductive way to the questions raised by this conference, we have opted, with the Foundation team, to base this text on the analyses and findings of the research that the Foundation has been conducting for over ten years in the area of work and employment.

It has become commonplace nowadays to speak of the development of atypical forms of work in the western economies. Whatever the research background, works highlighting the erosion of the Fordist standard of employment embodied in the permanent full-time contract as the main, not to say exclusive, way of organizing labour markets and integration into social life are now innumerable.

The extent of this erosion is a source of lively debate. Is it merely a temporary differentiation of forms of employment, bearing out the inflexibility of the labour market, or a trend placing the workforce in general in a more precarious position.

We merely note that the Fordist standard crystallises a dual conception of time: working hours, period of the contract of employment. These stable timeframes are essential prerequisites for a social contract of the Fordist type. A breakaway from either of these two timeframes would, however, tend to erode what has been a founding matrix of employment society.

Whatever the criticisms that may be attributed to it, the term flexibility also seems to correspond to the changes taking place in this field, despite or even as a result of the polysemy of which it is accused. We shall therefore use this term in the same way as the term precariousness in our presentation of these findings and our analyses.
EMPLOYMENT AND NUMERICAL FLEXIBILITY

The data given here are based largely on the Third European Survey on Working Conditions conducted in Spring 2000 in the 15 Member States. Although some variables and/or questions have been modified, these surveys provide material that can be analysed longitudinally, making it possible to pinpoint the most significant trends during the 1990s.

In the year 2000, the European population in work totalled 159 million people, 83% of whom were employees and 17% self-employed. In 1995, the figure was 147 million with the same ratio between the self-employed and employees.

Precarious employment in Europe: a growing diversification

Numerical flexibility has an impact on the volume and differentiation of employment statuses. Over and above the permanent contract, which represents permanent employment, the European employment structure contains a significant proportion of “non-permanent” or “precarious” jobs. The term “precarious” is used here in its broad sense, as opposed to contracts of employment that guarantee, from the legal point of view at least, stable employment. Precarious employment includes at least the following four subgroups:

- fixed-term contracts;
- temporary agency work;
- work experience and apprenticeship schemes;
- “other” contracts which are increasingly difficult to identify and list.

While this type of employment increased substantially during the first half of the 1990s, the relative proportions of permanent and non-permanent jobs remained almost unchanged between 1995 and the year 2000: permanent (82%), non-permanent (18%). In terms of employment structure, precarious employment is now a fact: in Europe close on one out of five jobs has been precarious during the last five years.

Precarious jobs have also become more diverse. The following changes took place between 1995 and the year 2000: fixed-term contracts (12.3% - 10%), temporary agency work (3.7% - 2.2%), work experience (2% - 1.8%), others (0% - 4%).

These data bear out the notion that the boundaries between unstable jobs are becoming blurred. In the year 2000, the number of employees no longer falling into the “conventional” precarious categories (fixed-term contracts,

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1 The Third European Survey on Working Conditions was conducted in Spring 2000 among a representative sample of the active population of 1500 people per country (500 in Luxembourg) in the 15 EU Member States (face-to-face questionnaires).

2 The system of “guarantees” associated with fixed-term contract status differs from one Member State to another.

3 These include “auxiliary” jobs in the public service, “seasonal” jobs in agriculture, jobs “on call” in some commercial services, etc.
Panel 2: Impact of changes on work and society

Table 1 - Precarious employment in Europe: development levels and recent trends by country in the year 2000 (precarious employment: fixed-term contracts, temporary agency work, work experience, other)

<table>
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<tbody>
<tr>
<td><strong>Countries with the highest levels of precarious employment:</strong></td>
<td><strong>Countries where employment has become less stable:</strong></td>
</tr>
<tr>
<td>– Spain (35%)</td>
<td>– United Kingdom (−6%)</td>
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<tr>
<td>– Portugal (24%)</td>
<td>– Portugal (−6%)</td>
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<tr>
<td>– Finland (21%)</td>
<td>– Finland (−4%)</td>
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<td>– Austria (−4%)</td>
<td>– Austria (−4%)</td>
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<td>– Ireland (−3%)</td>
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<tr>
<td><strong>Countries with the lowest levels of precarious employment:</strong></td>
<td><strong>Countries where employment has become more stable:</strong></td>
</tr>
<tr>
<td>– Luxembourg (10%)</td>
<td>– France (+7%)</td>
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<tr>
<td>– Germany (12%)</td>
<td>– Spain (+6%)</td>
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<td>– Austria (14%)</td>
<td>– Belgium (+3%)</td>
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<td>– Sweden (14%)</td>
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<tr>
<td><strong>Countries close to the European average:</strong></td>
<td><strong>Countries where the structure of employment has remained unchanged:</strong></td>
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<tr>
<td>– Ireland (18%)</td>
<td>– Denmark</td>
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<td>– Denmark (18%)</td>
<td>– Italy</td>
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<tr>
<td>– Netherlands (18%)</td>
<td>– Netherlands</td>
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<tr>
<td>– United Kingdom (16%)</td>
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<td>– France (16%)</td>
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</table>

% Employees

temporary agency work) accounted for a very significant proportion of non-permanent jobs (21%).

Major differences can also be seen between countries and sectors. Trends differ greatly in different countries as the country data show4.

These country trends encompass differing data for different types of precarious employment. Fixed-term contracts, for instance, are used to the greatest extent in Spain (27%), followed by Finland (15%), Portugal (12%) and the Netherlands (11%). Temporary agency work is most widespread in Italy (5%), Ireland (5%) and France (3%). Figures for the “other” category are particularly high in Portugal (10%) and Denmark (8%).

The following trends can be seen when the data are examined by sector:

- in the year 2000, agriculture (69%) and hotels and restaurants (72%) were still the sectors with the lowest proportion of permanent jobs, although the situation in agriculture has improved substantially since 1995 (+6%);  
- there has, however, been a substantial downturn in the construction sector, where permanent employment has fallen to 78% (-4%), and in “other services” where permanent employment has fallen to 80% (-3%);  

4 Greece has not been included because the current data are unreliable.
At 81% (-2%), the real estate sector has crossed the threshold of the multi-sectoral average;

- the sectors with the most stable employed population were, in the year 2000, water-gas-electricity (89%), financial intermediation (89%) and transport and communications (87%). This situation is very similar to that in 1995.

Are career paths becoming precarious?

These stock data have to be related to the flow data, i.e. to recruitment during the last year.

The proportion of employees recruited into precarious jobs during the last year was similar to the 1995 figure: close on one out of two employees (48%). The breakdown by type of employment was as follows: permanent contracts (52%), fixed-term contracts (28%), temporary agency work (8%), work experience (6%), other (6%).

Although precarious employment is not set in stone, it is nevertheless affecting career paths: rather than being “passive” in nature, it is being “actively” used during labour market entry, often as a recruitment filter. It seems that we can speak of “precarious career paths”. What this notion means is that the universe of precarious jobs is a changing universe, linked to labour market trends, in which organizations play a decisive role: it is these organizations that set the conditions for entry into and mobility in the market, through the variable of employment status.

This trend is borne out if we look at the breakdown by age. Massive numbers of young people “<25” are experiencing precarious employment, although all the age groups, in particular the “25-34” age group where the use of fixed-term contracts is most marked, are being affected. Among the oldest age group (“>55”), the “other” category predominates largely as a result of the various early retirement schemes.

Precarious employment and qualification levels

If we look at the breakdown of employment by qualification levels, there are major differences among the forms of non-permanent employment. For instance:

- fixed-term contracts are at a peak among “skilled agricultural and fishery workers” (17.9%) and are strongly represented among “elementary occupations” (13.5%), “professionals” (12.3%), “service, commerce and distribution workers” (11.7%) and “technicians and associate professionals” (10.6%);

- the largest numbers of temporary workers are to be found among the “elementary occupations” (5%) and “plant and machine operators and assemblers” (4.6%); temporary workers are also to be found among
“skilled agricultural and fishery workers” (2.1%) and “service, commerce and distribution workers” (2.0%);

- in contrast to fixed-term contracts, whose proportions are significant among certain high qualification levels (in particular “professionals”), the proportion of temporary workers is also fairly directly shaped by qualification levels and the services/industry divide: the lower the qualification level and the more it concerns industry, the greater the proportion of temporary workers;

- both are very marginal among “senior officials and managers” (4.9% for fixed-term contracts and 0.1% for temporary agency work);

- lastly, the “others” category, accounting for 3.7% of the active population, is strongly represented among “skilled agricultural and fishery workers” (8.6%), “elementary occupations” (7.1%) and “service, commerce and distribution workers” (5.3%), all of which are qualification profiles in which types of employment seem to be proliferating, whereas this trend seems to be less marked among industrial qualification profiles.

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**Box 1 – Fixed-term contracts and temporary agency work in Europe — Different populations**

It is possible to use the various information given above to pinpoint the main traits characteristic of the fixed-term contract and temporary worker populations in Europe, according to the following variables: gender, age, sectors, qualification levels.

- the temporary worker population is mainly male (52% M, 48% F) but the proportion of women is larger than in the population in employment (44%) and has increased since 1995 (47%), to a lesser extent, however, than for fixed-term contracts (where the proportion of women increased from 48% in 1995 to 49% in the year 2000). The temporary worker population is particularly young since over one third of this population is aged under 25 (34%) and close on two thirds (65%) is aged under 35; similar proportions are to be found among fixed-term contracts where the 25-34 age-group nevertheless continues to account for the largest numbers (35%);

- the industry/services divide is a factor of differentiation between these two forms of employment. Fixed-term contracts are, for instance, used on a massive scale in services (73%) whereas the temporary worker population is 41% in industry, 57% in services and 3% in agriculture. These two populations have different sectoral peaks: one out of four temporary workers works in the manufacturing industries while close on one out of three workers on fixed-term contracts works in the “other services” sector;

- lastly, qualification levels show very different profiles. Close on one out of four temporary workers (23%) is in an unskilled job, one out of three (33%) is a manual worker (industry or craft sector) and one out of four (26%) is a white-collar worker (service workers or clerical personnel). The proportion of white-collar workers is much greater (28%) among workers on fixed-term contracts, but there are marked differences for the other qualification levels: less than one out seven workers on fixed-term contracts is in an unskilled job (13%), less than one out of five (19%) is a manual worker...
(industry or craft sector), whereas “technicians and associate professionals” and “professionals” account for 31% of this population.

In general, the European temporary worker population is more male, younger, more industrial and less qualified than the population of workers on fixed-term contracts, which covers a wider range of qualification profiles, is predominantly employed in the service sector and includes a larger number of women. These differences are due to the nature of the contracts themselves, the ways in which they are used in sectors or in organizations, the populations on which they are targeted and the rules that determine their use.

WORKING TIME AND TEMPORAL FLEXIBILITY

Our aim in this section is to pinpoint the most characteristic trends in working time in the EU. We need to look at the breakdown of working hours and at part-time work and the ways in which working time and employment status are combined.

Weekly working hours in Europe fell from 38 hours in 1995 to 36.7 in the year 2000.

While there is greater temporal flexibility, national situations are very different

On average in Europe, the breakdown of working hours among the population in employment (employees and the self-employed) has changed slightly in the sense that it has become less comparable. Between 1995 and the year 2000:

- the “30-39 hour” band decreased from 36% to 35%;
- this reduction has gone together with increases in the two following hour bands:
  - “marginal” part-time work (the “<10 hours” band doubled from 1% to 2%);
  - “conventional” overtime (the “40-44 hour” band increased from 26% to 28%);
- on the other hand, very long working hours (">45 hours”) fell from 23% to 20%;
- the “10-19” and “20-29 hour” bands remained unchanged (5% and 9% respectively).

On average in Europe, changes in working hours are tending to take the form of a reduction of weekly working hours, a slight contraction of the standard 30-39 hours with respect to other hour bands, a growth of part-time work and “conventional” overtime and a reduction of very long working hours. In other words, the reduction of the working week in Europe is going together with greater temporal flexibility.
In the same way as for numerical flexibility, the European average again masks many differences among countries. In some, working hours are still highly regulated and concentrated (for instance Denmark), whereas in others the spread of working hours is well above the European average (for instance the United Kingdom).

Five configurations can be pinpointed from the data that we have available. These, as we will see, are not mutually exclusive. The pride of place that may be given in some countries to the main band (“30-39 hours”) as a result of collective agreements or national legislation may go together with more or less structural part-time work (Belgium) and/or a large volume of overtime hours (Germany). On the other hand, structural part-time work may also be combined with very long hours (United Kingdom) or relatively concentrated working hours (Netherlands). The following configurations therefore show country-specific trends at the end of the 1990s.

**Structural part-time work.** This first configuration is characteristic of countries in which, despite their differences, considerable importance is attached to part-time work in the regulation of working time. These countries are chiefly the Netherlands, the United Kingdom and, to a lesser extent, Belgium and Germany;

**Regulated working time.** This second configuration groups countries among which the “30-39 hour” band predominates chiefly because of collective agreements or legislation which regulate working hours. The overtime band also predominates. This group includes Denmark and France as well as Belgium;

**Concentrated working hours.** This third configuration includes countries among which the main “30-39 hour” band and the overtime band (“40-44 hours”) are the two main pillars of working time arrangements. The overtime band is not used to the same extent, however, as the main band (“30-39 hours”). This group includes Germany, Austria, Finland, Ireland and the Netherlands. In other words, overtime is used as a way of supplementing or supporting a main but not exclusive form of regulation;

**Structural overtime.** This fourth configuration is the reverse of the previous. Particular importance is attached to overtime (“40-44 hours”) in the organization of working time, and overtime is the main point of reference instead of the “30-39 hour” band. In this case, overtime is not just an adjustment lever, but is a preferred and structural way of organizing working time at national level. Apart from Luxembourg, the typical case here is Sweden, followed by Italy, Spain, Greece and Portugal;

**Non-comparable working time.** This final configuration is true of countries in which working hours are spread over almost all the hour bands with “very long hours” occupying an important place. The main case here is the United Kingdom, together with Ireland.

These factual data show that it would be wrong to speak of a European model of working time or to assume that there will be any convergence in the short term. Over and above the reduction of the working week (as a European
average), analysis of the most recent data shows that countries have, depending on their culture, their economic history and their types of regulation, very different ways of regulating the difficult issue of working time.

The increase in part-time work is “bottom-up” and imposed

**General background**

On average in Europe, the trend in part-time work between 1995 and the year 2000 among the population in employment (employees and the self-employed) was as follows:

- looking at “less than 30 working hours per week”, part-time work increased slightly from 15% to 16%;
- the increase in part-time work was brought about by the trend in the lowest band (“<10 hours”), which increased from 1% to 2% while the other hour bands (“10-19 hours” and “20-29 hours” remained more or less unchanged (5% and 9% respectively);
- lastly, 22% of the population stating that they work part-time would like to work more (“imposed part-time work”).

The increase in part-time work in Europe is therefore largely “bottom-up”. This increase has been brought about by the growth of marginal part-time work (“<10 hours”) where employment and pay conditions are unfavourable. In parallel, the numbers of women in this kind of employment have increased substantially.

**Major differences in different countries**

Here again, these European data mask substantial differences in different countries.

It is useful, in this respect, to compare both development levels and recent trends.

In the case of “less than 30 working hours per week”, the Netherlands, the United Kingdom and Belgium are the countries in which part-time work is most widespread. The Netherlands is the only one of these three countries in which there has at the same time been a substantial increase (+7%), followed by Belgium (+4%). Although starting from a lower initial level, there has also been a significant increase in part-time work in Ireland (+7%) and Austria (+4%).

**Part-time work as a method of sectoral regulation**

In the same way as for numerical flexibility, temporal flexibility linked to the use of part-time work varies substantially in different sectors, and among the qualification levels that in most cases correspond to them.

Three sectors emerge clearly. These are:

- hotels and restaurants (32%);
- “other services” (28%);
- the wholesale and retail trade (21%).
## Table 2 — Part-time work in Europe: development levels and recent trends by country, in the year 2000 (PT: “less than 30 working hours per week”)

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<tr>
<td><strong>Countries with the highest levels of part-time work:</strong></td>
<td><strong>Countries with the highest increase in part-time work:</strong></td>
</tr>
<tr>
<td>– Netherlands (30%)</td>
<td>– Netherlands (+7%)</td>
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<tr>
<td>– United Kingdom (21%)</td>
<td>– Ireland (+7%)</td>
</tr>
<tr>
<td>– Belgium (18%)</td>
<td>– Austria (+4%)</td>
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<tr>
<td>– Germany (17%)</td>
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<td>– France (+3%)</td>
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<td>– Italy (+3%)</td>
<td>– Italy (+3%)</td>
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<tr>
<td><strong>Countries with the lowest levels of part-time work:</strong></td>
<td><strong>Countries where part-time work is declining:</strong></td>
</tr>
<tr>
<td>– Portugal (9%)</td>
<td>– United Kingdom (-2%)</td>
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<tr>
<td>– Finland (9%)</td>
<td>– Sweden (-2%)</td>
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<tr>
<td>– Sweden (11%)</td>
<td>– Sweden (11%)</td>
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<tr>
<td>– Spain (11%)</td>
<td>– Sweden (11%)</td>
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<tr>
<td><strong>Countries close to the European average:</strong></td>
<td><strong>Countries where there has been little change in part-time work:</strong></td>
</tr>
<tr>
<td>– Ireland (15%)</td>
<td>– Denmark</td>
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<tr>
<td>– France (14%)</td>
<td>– Portugal</td>
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<tr>
<td>– Italy (14%)</td>
<td>– Finland</td>
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<td>– Austria (14%)</td>
<td>– Greece</td>
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</table>

These are followed by real estate (16%), financial intermediation (13%) and administration (12%). Part-time work is very marginal in the water-gas-electricity (3%) and construction (7%) sectors.

The differences between sectors are such that it is possible to speak, as regards part-time work, of a sectoral method of regulation. Massive use is made of part-time work in the services and, among these, by services using a labour force with few qualifications, in particular in hotels, restaurants and the foodstuffs trade. This differentiation also has to do with the proportion of female labour in these sectors and activities. In these sectors, part-time work can therefore be seen as a key way of controlling and managing the workforce in the labour market and of providing a basis for a sectoral policy of flexibility.

It is interesting to compare these data with those on precarious employment. There are major sectoral differences in the ways in which the two forms of quantitative flexibility are or are not combined:

- hotels and restaurants and other services are the sectors in which the two forms of flexibility are combined to the greatest extent;
- priority is given, on the other hand, to numerical flexibility in agriculture and construction, while priority is given to temporal flexibility in the wholesale and retail trade.
Logically, there are also major differences by levels of qualification. These differences are not just between the “top” and “bottom” qualification levels: the most significant variations are between manual and non-manual workers and, within this population, between those who have a vocational qualification and those who do not.

In practice, part-time work:

- is lowest among “plant and machine operators and assemblers” (5%) and “craft and related trades workers” (6%);
- is highest among “service, commerce and distribution workers” (33%) and “elementary occupations” (31%);
- is also high among “clerical workers” (23%), “technicians and associated professionals” (17%) and, to a lesser extent, “professionals” (15%);
- is very marginal among officials and senior managers (7%).

The qualification levels in which part-time work is at a peak are also the categories in which this type of employment is most clearly viewed as imposed. 25% of “service, commerce and distribution workers” and 28% of those in “elementary occupations” consider that part-time work has been “imposed” on them.

“Full-time permanent contracts” continue to decline

The increase in part-time work, as a European average, can be related to the structure of employment described above. By aggregating these two variables, it is possible to pinpoint the increase in “particular forms” of employment, i.e. all those forms of employment that escape the principle of the “full-time permanent contract”. These “particular forms” include both precarious jobs and part-time jobs, and their combinations. In the year 2000, they accounted for 30.5% of the population in employment.

This figure has increased substantially in comparison with 1995. The data that we have available make it possible to draw up a comparison for the period only for over 30 working hours per week. When defined in this way, the “full-time permanent contract” declines by close on two points.

LABOUR ORGANIZATION AND TEMPORAL FLEXIBILITY

In this section, the changes that have taken place within the EU from the point of view of forms of working time organization, which are another component of temporal flexibility, will be reviewed.

In this case, working time organization chiefly covers:

- flexible hours (evening, night, weekend work, etc.);
- working hours that are irregular and/or unpredictable.
<table>
<thead>
<tr>
<th>Organization of working time</th>
<th>1995</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 10 hours/day</td>
<td>–</td>
<td>28</td>
</tr>
<tr>
<td>Evening work</td>
<td>–</td>
<td>43</td>
</tr>
<tr>
<td>Night work</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>Saturday work</td>
<td>48</td>
<td>47</td>
</tr>
<tr>
<td>Sunday work</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>Shift work</td>
<td>–</td>
<td>22</td>
</tr>
</tbody>
</table>

% Employees

In general, there has been a slight reduction of flexible hours (evening, night, weekend work, etc.)

“Flexible hours” – sometimes known as unsocial hours – are working hours that lie outside work during the day from Monday to Friday. While shift work has long been the most conventional way of introducing flexible working hours into continuous process industries or some non-commercial services (for instance hospitals) where production needs to be continuous, there are now many other ways of departing from daytime work during the week. In all cases, these hours have an impact on workers’ socialisation, both in and outside work, and change the ways in which family life is organized.

This trend is not without an impact from the point of view of the regulation of flexibility: whereas shift work has traditionally been included in collective bargaining and workers have received appropriate compensation, the Foundation’s work shows that this is not always the case for other flexible hours which increasingly lie outside the control of workers’ representatives. From this point of view, the downturn in some flexible hours can be seen not just as a factor in reducing occupational risks, but also as a factor limiting the deregulation of working hours.

This downturn nevertheless masks national and sectoral differences: some flexible hours are still widespread in several countries or sectors.

In this respect, there are similarities in the ways in which some countries have allowed, or in contrast restricted, the various types of flexible hours. Night work is for instance very widespread in Finland (26%), Greece (23%), Ireland (20%) and the United Kingdom (22%), and Sunday work is again widespread in Greece (42%), Finland (39%), Denmark (34%), Ireland (31%) and the United Kingdom (33%). The countries in which these two variables are least widespread are Portugal and Italy (night work accounting for 15% and Sunday work for 18%).

These similarities are also to be found in the sectors:

- night work is widespread in particular in hotels and restaurants (36%), “other services” (17%), in particular health services and transport and communications (14%);
Table 4 – Irregularity and unpredictability of working time in the year 2000

<table>
<thead>
<tr>
<th>Irregularity and unpredictability of working time</th>
<th>Self-employed</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irregular work (I): variable hours</td>
<td>66</td>
<td>28</td>
</tr>
<tr>
<td>Irregular work (II): number of hours different per day</td>
<td>59</td>
<td>37</td>
</tr>
<tr>
<td>Irregular work (II): number of days different per week</td>
<td>38</td>
<td>22</td>
</tr>
<tr>
<td>Irregular work (II): changes of working hours per month:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- no change</td>
<td>76</td>
<td>76</td>
</tr>
<tr>
<td>- 1 - 5 times</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>- &gt; 5 times</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Unpredictable work: warning of changes of hours:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- none (the same day)</td>
<td>90</td>
<td>88</td>
</tr>
<tr>
<td>- &lt; 2 days</td>
<td>94</td>
<td>92</td>
</tr>
<tr>
<td>- &lt; 1 week</td>
<td>99</td>
<td>96</td>
</tr>
</tbody>
</table>

% Self-employed, employees

- massive use is made of Sunday work in hotels and restaurants (65%), followed by agriculture (46%), transport and communications (41%) and “other services” (35%).

The trends for men and women are not the same. While flexible hours are, as a European average, decreasing for men, the trends for women are different. Since 1995 Saturday work has remained the same for women and Sunday work has increased.

Irregular working hours are a feature of a wide range of occupational groups

Some comments on the irregular or unpredictable nature of working hours may help to flesh out these trends in flexible working hours.

Here, the difference between self-employment and employee status is substantial, although this is not true for all the variables. For instance, the figures for changes of hours per month are identical for both (24%), although employees are more concerned by the frequency of “1 to 5” monthly changes. Similarly, the lack of warning is similar in both cases (90% and 88% respectively).

Even though work in employment seems less irregular than self-employment, it is still very unpredictable in the event of change.

Variable hours are chiefly to be found among the high qualification levels, with the exception of “skilled agricultural and fishery workers” (64%). They are widespread among “officials and senior managers” (50%), “professionals” (46%) and “technicians and associate professionals” (39%).

In contrast, irregular weekly or monthly working hours are a feature of a range of occupational groups with different types of irregularity affecting different groups.
Numerical flexibility, temporal flexibility: how are they combined?

Lastly, we can look at the way in which the data connected with temporal flexibility (working hours and organization of working time) are linked with the trends in employment status brought about by numerical flexibility.

We have already touched on this aspect in our analysis of the decline of the “full-time permanent contract” as the main point of reference. We can build on this analysis by looking at the possible ways in which these two forms of quantitative flexibility can be combined. From this point of view, significant differences emerge between working hours and the organization of working time:

- in practice, *it is in the area of working hours that numerical and temporal flexibility are combined to the greatest extent*. The growth of part-time work has been much greater among precarious jobs than among permanent jobs. In this respect, the “others” category occupies a significant position. The proportion of part-time work in this category is more than double the figure for permanent jobs. This type of employment is therefore particularly “precarious”: it covers a set of *job positions that are very disparate*, in terms of both status and working hours;

- from the point of view of working time organization, the data are more conflicting. Here again, a distinction needs to be made between flexible hours and changes in timeframes:
  - from the point of view of flexible hours, precarious jobs are more likely to involve night work than permanent jobs. This difference is even more marked for shift work. In the case of weekend work, the variations are shaped more by the types of employment. Differences in comparison with permanent jobs chiefly concern *temporary workers in the case of Saturday work* – although all non-permanent jobs are affected – and *the “others” category in the case of Sunday work*. Again, this latter category seems to be in a much less favourable position than the others from the point of view of working conditions. Long days (“>10 hours”) are nevertheless still typical of permanent employment;
  - from the point of view of timeframes, the differences are not as clear cut. Irregularity measured in terms of variations in the “number of hours per day” is predominantly the lot of workers on fixed-term contracts and “others”, and in terms of the “number of days per week”, of temporary workers and “others”. In general, *irregularity measured “by number of days per week” is more marked among all precarious jobs*. Permanent employees are more affected, however, by frequency of change and its unpredictable nature. These differences would tend to show that the irregularity experienced by people in precarious jobs is in particular reflected by differences in the days worked per week or month, whereas fluctuations in hours themselves, whether predictable or unpredictable, are more likely to affect permanent employees.
QUANTITATIVE FLEXIBILITY AND GENDER

The data that we have for 1995-2000 require some comments:

- the proportion of women in employment remained stable during the second half of the 1990s (44%);
- this trend went together, however, with a decline in the stability of women’s employment: 42% were in permanent employment in the year 2000 in comparison with 43% in 1995;
- … and a very sharp rise in part-time work: part-time work among women (<30 hours per week) rose from 26% (1995) to 30% (2000).

Women’s work is becoming less stable, especially in job categories that are difficult to pinpoint

On average in Europe, women’s participation in the labour market is accompanied by a gradual weakening of their employment status. The proportion of women in stable jobs is falling, and the proportion on fixed-term contracts or performing temporary work is increasing in similar proportions. The emergence of the “others” category (which accounted for 4% of employment in the year 2000) is coupled with a very high rate of participation by women in this category of employment; this rate is much higher than the rate for “conventional” precarious jobs. The increasingly precarious nature of women’s work is being shaped largely by those categories of employment that are difficult to pinpoint and more disparate.

The sharp rise in part-time work by women is taking place chiefly in the lower hour bands (<20 hours per week)

Looking at “less than 30 working hours per week”, the proportion of women working part-time increased by 4% (from 26% in 1995 to 30% in the year 2000), whereas part-time work in Europe increased by only 1% over the same period.

This change is taking place chiefly in the lowest hour bands (“10-19 hours” and “<10 hours”). In this latter band, there has been a threefold increase in comparison with the situation five years earlier. This hour band is also the only one in which there has been an increase in part-time work by men.

The increase in part-time work by women is therefore taking place mainly in the lowest hour bands, i.e. where working and pay conditions are the least favourable. There has been a particularly substantial increase in marginal part-time work (“<10 hours”) among women.

Trends in weekend work are a cause for concern

While long hours are chiefly worked by men and night work is declining among both populations:
Panel 2: Impact of changes on work and society

Table 5 – Proportion of women by category of employment in the year 2000

<table>
<thead>
<tr>
<th>Years</th>
<th>Employment</th>
<th>Permanent contract</th>
<th>Fixed-term contract</th>
<th>Temporary</th>
<th>Work experience</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>44</td>
<td>43</td>
<td>48</td>
<td>47</td>
<td>48</td>
<td>–</td>
</tr>
<tr>
<td>2000</td>
<td>44</td>
<td>42</td>
<td>49</td>
<td>48</td>
<td>38</td>
<td>54</td>
</tr>
</tbody>
</table>

% Employees

Table 6 – Part-time work in Europe, by hour bands and by gender, in 1995 and the year 2000 (PT: “less than 30 working hours per week”)

<table>
<thead>
<tr>
<th>Hour bands (per week)</th>
<th>M</th>
<th>F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 10 hours</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>10 – 19 hours</td>
<td>2</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>20 – 29 hours</td>
<td>3</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>6</td>
<td>26</td>
</tr>
</tbody>
</table>

% Employees and self-employed 1995 2000

Table 7 – Organization of working time by gender in the year 2000

<table>
<thead>
<tr>
<th>Organization of working time</th>
<th>M</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 10 hours per day</td>
<td>41</td>
<td>22</td>
</tr>
<tr>
<td>Evening work</td>
<td>51</td>
<td>40</td>
</tr>
<tr>
<td>Night work</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>Saturday work</td>
<td>54</td>
<td>59</td>
</tr>
<tr>
<td>Sunday work</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>Shift work</td>
<td>20</td>
<td>19</td>
</tr>
</tbody>
</table>

% Self-employed and employees 2000 1995

– fewer men are working on Saturdays, but the figures for women have remained unchanged;
– there has been a sharp decline in the number of men working on Sundays, but the number of women has increased.

In general, therefore, women are being placed in a worsening situation by the growth of quantitative flexibility in Europe: women are more likely than in the past to be in precarious employment, and especially in its less visible component; they are increasingly likely to work part-time, for a few hours per week. From the point of view of time organization, weekend work has increased only for women, whereas, in contrast, the situation of men is improving.
CONCLUSION

By way of conclusion, I should like to provide some further food for thought from other research work carried out by the Foundation.

At present, there is only a limited degree of convergence in Europe towards a flexible labour market. While the findings undoubtedly show a common trend towards increased flexibility, trends in individual countries in this area differ substantially. The form, extent and nature of the flexibility that employers are inclined to use vary in different countries. A recent study by the Foundation entitled “Flexibility and working conditions in the European Union: a comparative and qualitative study” shows that factors as diverse as trade unions, the collective bargaining system, the influence of the Church, family structures, the status of Sunday work, the stage reached by legislation (especially if there is different legislation for different sectors), employment legislation itself, etc., have a differing impact in different countries.

The conclusions of this study took up a classification used in many other works: individual flexibility (United Kingdom and Ireland) based on individual relations between employers and workers, State-driven flexibility (France, Spain and Finland) where the legislator plays a more important role in constructing regulations, in other words working hours and, to a certain extent, the social entitlements associated with different types of employment, are regulated more by legislation than by collective bargaining and negotiated flexibility (Denmark, Netherlands, Germany) where actual working time is set in particular by bargaining and enterprises’ quantitative adjustment strategies make only limited use of precarious jobs.

This latter group is of interest, especially as it is very clear from our research that flexibility that is negotiated is a variable that is necessary, but not enough on its own, to prevent employment from taking on the various dimensions of precariousness. Put in another way, the levers of flexibility have proliferated to such an extent that they can be covered only partially by collective bargaining which, despite its strength and relevance in some cases, cannot influence all the changes that are under way. Account also has to be taken of the increasingly wide range of individual situations or situations within enterprises. The changes under way, for instance, are increasingly difficult to regulate and control because individual expectations are so varied and a whole range of regulation methods are being used.

The ways in which employers define and use flexibility and the uncertainties affecting not just precarious but also stable employment as a result of the increasingly fragmented nature of the labour market seem to be placing the use of the levers of flexibility “outside the scope” of collective bargaining; in other words, enterprises are tending to gain control over the circumstances in which general employment rules can be reversed.

This is taking place, moreover, against a backdrop of unchanging expectations among employees and the self-employed as regards employment and work. The results of a survey conducted by the Foundation in 1998 among over
30000 people working in the 15 EU Member States show that expectations as regards employment and work are relatively stable and traditional. People want to work, and security of employment continues to be a key factor in everyone’s jobseeking strategies. The only group which is not looking for this security of employment is the group of “young labour market entrants”, probably because this group has taken what we said earlier on board, i.e. that precarious career paths are a necessary step towards gaining a foothold in the labour market.

At European level, this situation raises the problem of the mutual roles of all the players: States, employers’ organizations, trade unions. This problem is especially urgent as, in our opinion, the dualism that is often applied to public “social improvement” policies needs to be called into question: freeing the commercial economy from its fetters and developing flexible labour organizations “versus” taking responsibility for those excluded from the commercial economy by means of policies of social protection.

There can be little doubt that the rules of play are volatile, that decision-making processes are complex and in some cases impenetrable and that States, employers’ organizations and trade unions often tend to proscribe certain practices without changing the rules of play, which obviously opens the door to new and equally censurable practices.

Is there another way? Is it possible to take steps, in Europe, to gain social control over strategic decisions and to introduce factors of stabilisation and regulation into an environment that is arbitrary, reversible and uncertain?

Put another way, the criteria by which employers can develop this or that strategy, step backwards or change from one to another are as volatile as the strategies themselves.

There is a genuine social issue here: negotiating these criteria and not just their effects and stabilising them to some extent by placing them under the scrutiny of critical debate and collective bargaining. Market economies and systems of social regulation coexist in all the Member States of the European Union. Our social systems are so dense that there is a growing distortion between economic and social timeframes, raising the crucial question of the role of politics and a social organization of Europe that takes account of the wide range of players and institutions.

Is there not a place, between European institutions (that are often remote from citizens) and enterprise (which is probably too low a level), for the construction of intermediate levels of negotiation and regulation (what some people call intermediate Europe), one practical form of which could be sectoral and regional social dialogue?
There were great changes in the labour market during the 90s. *The Employment Outlook* last year pointed out that the direction of the changes was almost the same in all countries: liberalization of the labour laws, weakened collective bargaining and cuts in the unemployment benefits. But the starting point for this move towards increased power for market forces varied significantly from country to country. One could argue that even though the direction of change is clear, it is not so clear what kind of labour market system a country can maintain.

This is a very important point to make. We sometimes get so mesmerized by the direction of change that we forget that even though the direction is the same, the diversity of labour market systems even in Europe is still great. It is a bit of an economist’s sickness that we are only interested in the derivative and not the level. For Sweden which is in the middle of the “war of models”, a difficult discussion has been going on. The ILO noticed that the Swedish model was in disrepute. This is true, but at the same time Sweden has achieved an unsurpassed increase in employment during the last three years.

But at the same time, one must acknowledge that we have made changes in the labour market in the same direction as everybody else, but one must also see that these are really only marginal differences to the original model. Basically it is still the old Rhen-Meidner model. It is impossible to explain the tremendous increase in employment in Sweden; we have halved the unemployment rate since the mid 90s, with these small changes. During the last five years the Swedish model has recovered from its sickness and once again proved to be rather successful. We have an employment rate for women which is internationally very high, we have also an employment rate for men which is high, we still have a social security system which is internationally seen as well functioning, the share of precarious jobs is low in international comparison and so forth. Many of the classical welfare state attributes remain. To explain Sweden’s high employment growth the last three years one must seek elsewhere than marginal adjustments of the labour market.

Where do we stand today? Are the changes we have seen in the labour market the consequence of changes in production? Or were many changes really due to a different power relationship between employers and employees? The boring truth is that it is both. There are differences in the production system that
create a pressure for institutional changes, but there are also changes that are solely due to a different power relation between labour and capital.

Sweden stands on the threshold of a new institutional setting of the labour market. We have an industrial agreement, which today is a rather strong institution on the labour market, and is a vertical integration of the labour market, where white-collar workers and blue-collar workers integrate and negotiate together. The traditional Swedish negotiating system is horizontal. The Swedish Trade Union Confederation organizes all blue-collar workers, but not white-collar workers. We now have a system with both horizontal and vertical access and the question is how will they interact? Another question is whether blue-collar unions and workers will lose power and whether inequality will increase because of weaker blue-collar unions? Blue-collar unions have for historical and structural reasons been a very strong political power in Sweden, much stronger than the white-collar unions – which is also reflected in income distribution, social security, taxes and so on.

The main reason for white-collar workers and blue-collar workers to come together and negotiate together on the industrial side is due to changes in production, for example, technological change which has made blue- and white-collar work increasingly similar. This type of integration stems from a change in production, but it will also have effects on the political system. We have big issues ahead, which are triggered by changes in production.

On the other hand, is the new flexibility, including more precarious work and increased uncertainty in the labour market conditions, a consequence of changes in production? The Swedish experience is that it is not. When unemployment was high there was an increase in precarious jobs, but when unemployment started to decrease we also saw a decrease in precarious jobs. In countries where employees have a strong position institutionally due to social protection, labour laws, high unionization and so on, the share of precarious jobs is low. This varies then with the bargaining power of the employees, i.e., unemployment. It has very little to do with for example, knowledge intensity. One of the most knowledge-intensive branches in Sweden is IT-consultants, who also have the highest degree of permanent employee contracts.

It is difficult to say that this is a consequence of production. It is rather a consequence of different power relations. I would like to connect also to what Robert Castel said before, that if one had this discussion, in Sweden, in the mid 90s, we would be more pessimistic about the possibility of maintaining a decent society. The argument was that globalization and technology changes would mean the end of both work and the welfare state.

We have much more reason to be optimistic today. We can all – presumably – agree that the dullest scenarios concerning globalization will not be realized. We are not seeing an accelerated increase in profit margins in companies, and hence no general decrease in wages in the developed countries (however we see an increase in income inequalities). The government can still collect enough taxes to maintain the welfare state. In the late 90s we saw an increase in employment and not the end of work. The competition from developing countries has
also proven not to be harmful to industrialized countries. On the contrary, if one considers the growing export markets for developed countries, they seem to be the winners.

More important is the issue Robert Castel highlighted, namely the demographic situation. If we will experience an increase in growth rates due to ITC and higher productivity, then this would imply a much tighter labour market in the future. The problem would then rather be shortage of labour than excessive supply. Wage control would be an important issue for employers. If we rule out a completely deregulated labour market in Europe, then the question is – who can deliver wage control and what will the price be for the employers?

There is undoubtedly a role for the unions in the future, it will be different but it will be a rather strong role and there is also a possibility of stronger international and domestic regulatory regimes – even though the trend has been the opposite for the last 20 years. The trend, which the Employment Outlook pointed out, cannot continue endlessly. It is going to shift – the question is only when – and I personally believe we are standing in the middle of the shift right now.
I would like to introduce a number of forward-looking ideas, concerning the way we might approach the links between technological progress, employment and work in the light of developments such as the Internet and e-commerce.

I do not want to perpetuate the myths about a new generation of technologies solving many of the questions that previous generations of technologies raised. I also do not want to remind everyone what they already know, which is that things are much more complicated now, that there has been so much disillusionment among those starting up businesses, and that there has been a whole range of events surrounding the Internet financial bubble which have increased inequalities to scandalous proportions. I also do not want to talk about call-centres or the fact that with companies like Amazon.com there are some rather unusual working conditions.

What I really want to do is to examine three more theoretical ideas, which I will explain very briefly. First of all, there is the fact that the current technological changes are increasing the need for new theoretical frameworks in order to devise a new world of work. Secondly, I would like to show that the American debate about the new economy is serious and worth taking into account in discussions and efforts to develop new analytical frameworks. Thirdly, although it may not yet have shown us exactly what the future will be, this debate has already succeeded in breathing new life into our critical analysis of the old economy.

Current changes are increasing the need for new theoretical frameworks, for one very specific reason. Talking about developments concerning the impact of information technologies is a very tricky subject, firstly because information technologies are very interactive and non-determinist, and secondly their centre of gravity is shifting. The day before yesterday, as it were, the centre of gravity was the factory, the world of production, and we knew what to think, economically and sociologically speaking, about what was happening when these worlds met. Yesterday, the centre of gravity was the office, and it was all about optimizing management. The issues were slightly different. Today, the centre of gravity in technological change is the world of exchange, both commercial and non-commercial, with interactions between the two, bringing further generations of problems of a different nature. This is important, and it is interesting, in the light
of these huge changes, to consider a number of arguments which appear far removed from those doing the rounds today concerning the new economy, not as it is presented in the media and not only in terms of what is happening on the stock exchange or the financial markets, but on what led a number of US economists to use this fairly pragmatic term – talking about a new economy is not a highly structured concept – and to try to identify the unknown changes that were happening at the time.

This is a new phenomenon, and one which does not just involve technology specialists. I have been familiar with it for the last 20 years. I used to do research on these issues. We were always warning economists and sociologists that what was happening on the technology front was very important, and they would always say yes, we’ll think about that later. In the USA economists wondered why America’s economic cycle had lasted so long and why unemployment had fallen so low without any increase in inflation, and they told themselves that it was all very strange and wondered whether it had anything to do with these technological changes that everyone had been talking about for so long.

If we follow the different arguments and compare them, we can see that nothing is certain in this field. We have come a long way from the tone that might have accompanied meetings or discussions on technology 10 years ago, when the best ideas came in the form of laws (and I shall come back to these shortly), the most famous of which is known as Moore’s law. This describes the exponential expansion in the power of electronic components: every 18 months, it says, the performance/price ratio of components doubles. The law, which was formulated in the 1960s, has proved correct and it obviously has a whole series of implications for the speed of technological change. It was formulated by a highly competent engineer, Gordon Moore, who was one of the founders of Intel. He was not an economist. The debate now is not about laws, but about paradoxes, with questions asked by economists, and it seems like a much more scientific discussion.

One of the most famous paradoxes is the one put forward by Robert Solow (Nobel Prize for economics) who, when carrying out a study in 1987 on the links between technology and the level of employment in the USA, said: we can see evidence of computers everywhere except in the national accounts productivity statistics. This was an astute observation, because everyone was talking about computers, yet the average increase in productivity in the USA had fallen to one per cent per year from 1972 to 1995 compared with 2.6 per cent on average from 1950 to 1972, which was very low. More recently, seeing that productivity in the USA had gone back up to 2.5-3 per cent, Robert Solow wondered whether this marked the end of the productivity paradox. His reply was fairly positive, but tempered by the fact that nothing is certain. Why? Because there are different arguments about measurement (what exactly is being measured when people talk about productivity recovering?). There is a metaphor that tends to spring to people’s minds: isn’t this a bit like the industrial revolution? In the industrial revolution, while the machine’s sole purpose was to replace human labour, there were enormous reactions and even blockades, which ensured that their economic
impact did not spread. However, when the same mechanical principles were used to build locomotives, the railways and machines which opened up the markets, the shift was made from standing still to an expanding system. Are we not at a similar turning point now?

Through these paradoxes, like Solow’s and NAIRU (Non-Accelerating Inflation Rate of Unemployment), both traditional economic and financial theories, we can see that when unemployment falls below a certain level which should trigger inflation, it is no longer the same sort of unemployment: we can see this in the USA, where inflation has fallen to an extremely low level even though unemployment is at less than four per cent.

All of these ideas are important. They do not give us a really clear view of the future, but interestingly enough they shed light on what we might call the old economy. In this particular context the old economy does not mean the old industrial or agricultural sectors of the 19th century; it is not the world of industry as opposed to the world of services, or the world of services before computerization, it is the economic world which already has computerized production and management, but not yet computerized trade. In that world company strategies were motivated by very specific reflexes, and a typical example was the computer industry itself, which had developed the following idea: I am subject to Moore’s law, which says that the performance/price ratio of electronic components doubles every 18 months, but I won’t bring my prices down; if I sell a product for $100 on average today, tomorrow I’ll sell it for $100 just the same. By then I will have dreamt up some new facilities to persuade consumers that this is a fair price. This strategic model, which is designed to fight deflation or a deflationist spiral, was imitated in many industrial sectors, in telecommunications, in the car industry, where they offered more and more options but never brought down their prices, and in the consumer goods sector. In many sectors like this, which have gradually made their products more sophisticated and which have been useful, in terms of economic theory, as long as the functions or benefits created were seen as useful for consumers, the situation was profitable and the benefits were protected even if they no longer appeared useful. One of the major phenomena of the Internet explosion has been that technology is in the hands of individuals, who can say ‘I can create something which is more useful for me and finance it by siphoning off assets drawn from other sectors’. These are considerable transformations.

If we look at the implications of these changes for our line of argument, I think there are three extremely important factors: first of all, I think we need to separate our ideas on work and the labour market from our ideas on company strategies and the dynamics of the consumer markets.

The phenomena I just mentioned speed up the transition to company strategies which focus strongly on the concept of service, of consumer satisfaction, of strong links with clients downstream. Looking at job dynamics without taking account of these company strategies can be misleading. I personally – and here I agree with Jean Gadrey who wrote about this issue – completely disagree with the analyses produced in France on the job shortages created in sectors like retail
trade or personal services, which are supposed to be explained by reasons solely to do with the labour market and the cost of so-called poorly skilled workers. We cannot discuss these data without taking account of the gradual and belated (in comparison with the USA) arrival in Europe, or in ‘Latin’ Europe at any rate, of a competitive dynamic on the markets which is very much focused on providing services for consumers. If we strip down company strategies, we can see that fairly often, particularly in some large American companies, the approach is to fund more consumer services by the intensive use of technologies in order to put current capital to better use and to improve the stock rotation by which these services are financed.

There is certainly not just one way to be productive, and it has nothing to do with having two opposing views of work, but it should be linked to company strategies and the way in which they try to achieve productivity. Are they only looking for productivity from labour, or are they also looking for it from other factors such as stock and current capital?

I think we need to revive prospective, sectoral consultations rather than just horizontal discussions. We have just been through a period when the focus was very much on the horizontal, on the ground rules in general. There are now many factors which can usefully be examined in order to identify links between companies’ problems and labour problems with reference to factors which are inherent in a given sector. I am thinking here particularly of the impact of all these technologies on the very sweeping transformations that are about to take place in many consumer industries such as furniture and clothing, sectors which are badly prepared for future competitive conditions.

My third and final idea is this. Firms are putting great emphasis on their clients in their blind search for what comes after mass consumerism. With the technologies we now have we can say that we are moving out of the era of production and mass consumerism. But where are we going? The general belief is that service companies need to organize themselves around their clients. But what does the word ‘client’ mean? There are many positive sides to thinking that the client is king, but I am not convinced that the client has to be king for all levels of the company, provided that the image of the client is the same. It is certainly essential that various types of players have their own ideas about what the client is. I have found that issues like computerization and freedom have become major questions which this trend has raised in the minds of consumers. I do not think that the world of work can afford to ignore these developments.

Bibliography

Les dégâts du progrès, in collaboration with J. L. Missika, D. Wolton and the CFDT, Seuil, 1978

Le tertiaire éclaté, in collaboration with J. L. Missika, D. Wolton and the CFDT, Seuil, 1980

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Work and employment have been undergoing profound changes for a number of decades now, but the phenomenon is much more complex than is often realized. Raymond-Pierre Bodin’s paper highlights a series of apparent paradoxes resulting from the clash between the marked and common trend towards increasingly flexible jobs in western Europe, Japan and the USA, and the often considerable differences in the forms that flexibility takes depending on the country, sector, gender and skills. “The ingredients are the same, but they are used differently.” These twin observations are important both for understanding the significance of the present developments and for highlighting the different meanings of the terms used to define job components. The discussion has enabled us to make much-needed progress in challenging the ways in which we think and analyze.

Since the mid-1990s, throughout the Europe of the Fifteen, research by the European Foundation in Dublin has shown that there is apparent stability in job distribution between permanent and non-permanent jobs, and between paid and non-paid employment, but also that careers and the ways in which people enter and leave employment seem to be becoming increasingly precarious. This analysis should first of all be moderated because of the differences between countries, with some where precarious jobs, taken overall, are widespread (20-35 per cent of all employment) and others where they are the least common (10-14 per cent). However, the stability of the overall distribution is still surprising, and suggests a preliminary finding: that the dividing lines, particularly between the various forms of unstable employment, are blurred, with the growth of employment situations which are difficult to classify, and which are referred to, for want of anything better, as ‘other’ jobs, with even the workers themselves not knowing exactly where to position themselves. The complex nature of this trend towards instability helps to explain the seemingly paradoxical stabilization of employment statuses: differentiations are emerging within this process, with variable forms of precarious jobs (fixed-term contracts, temporary work, self-employment, practical training, etc) and different types of time flexibility (various part-time arrangements, or else the use of overtime).

Similar forms of internal differentiation are also emerging in Japan, where, as in Europe and the USA, the proportion of long-term jobs is falling and female employment is increasing, with greater diversification in employment
arrangements. However, Japan is different from most other industrialized countries in that there has been a major increase in the number of older workers, partly as a result of demographic changes.

Another factor shows that we need to renew our analytical frameworks: the electronic commerce networks, where we can see that the ‘centre of gravity of change is shifting’ in that the optimization of management is no longer stable and unequivocal. This is leading economists in particular to look at economic cycles in relation to technical change. If there are no longer any fixed reference points, economic laws or certainties, we need to think about how to define the objects measured and how to measure them. In addition, the discussion on the ‘new economy’ is shedding light on the debate on the traditional economy, and, for example, on the choice of strategic models for fighting inflationist spirals.

Another way of analyzing developments in the light of the interplay between similar marked trends and differences within the process is to look at the role of the public authorities and collective bargaining. If we take the distinction drawn by the rapporteur between different forms of individualized, State-driven and negotiated flexibility, a number of important points emerge. A high degree of centralized tripartite negotiation, particularly in Sweden, certainly plays a role in establishing and maintaining a high level of social rights in crisis situations. In other cases, particularly in France, the legislative and regulatory framework does a lot to help to guarantee social protection, while at the same time, paradoxically, supporting the development of forms of flexibility and part-time work through its effect on the relative protections associated with these forms of employment.

The diversification of forms of flexibility helps to explain the growing insecurity felt by workers, as shown in a number of studies, which is not always directly linked to actual insecurity at work. The vital role of lifelong learning in the development of employment and the relationship between labour markets and social protection has opened up promising opportunities for future research into the treatment of employment and social protection problems.
THE POLITICAL RESPONSE TO THE NEW CHALLENGES: RAISING THE ISSUES
NEW CHALLENGES AND POLITICAL RESPONSES
FRITZ W. SCHARPF

WHAT ARE THE CHALLENGES
The new challenges for advanced capitalist welfare states are well described in the program of this conference. I will begin by focusing on those that are being caused by the nation state’s loss of control over its own economic boundaries as a consequence of European and international economic integration.¹ They include intensified international competition in product markets; uncontrolled international capital mobility; and the creation of the European Monetary Union.

These challenges increase the difficulties of maintaining the international viability and stability of national economies, and they have negative impacts on employment in the exposed sectors of the economy and on the financial viability of the welfare state. In the following sections, I will briefly describe the nature of these challenges, and I will try to show that economically effective policy options are, in principle, available at the national level that would permit countries to combine high levels of employment and high levels of social security with international economic viability. In conclusion, I will turn to the main problem in all countries, namely the political feasibility of economically effective policy responses.

CHALLENGES TO EMPLOYMENT
Over the last few decades, world trade in goods and services has grown much more rapidly than world GDP, and that the same is true for OECD countries and even more so for the member states of the European Union. The reasons are significant advances in trade liberalization achieved in successive rounds of GATT negotiations, and above all the successful completion on the Single-Market program in the European Union which has not only removed the remaining non-tariff barriers to trade but extended international competition into areas...

¹ My remarks are based on the findings of a comparative study of the adjustment of twelve Scandinavian, Continental and Anglo-Saxon welfare states to international economic challenges in the period from the early 1970s to the late 1990s (Scharpf and Schmidt 2000; 2000a).
of service provision and infrastructure facilities which in the past had been exempted from market competition even within the national economies of member states.

If trade grows more rapidly than production, the consequence is more intense international competition – which forces firms in all countries to use available technical and organizational opportunities for reducing production costs and increasing labor productivity in those sectors which are exposed to international competition. By now, these include not only agriculture and industry, but also construction and energy supply as well as transport, communications, financial and business services (i.e., all activities in the ISIC classes 1-5, 7 and 8). As a consequence of increasing competition and productivity, average employment rates in the exposed sectors of advanced OECD countries have steadily declined over the last three decades (Figure 1). If total employment remained remarkably stable on average, the effect is due to the rise of employment rates in the sheltered sectors of the economy – i.e., in those services which are locally produced and locally consumed (ISIC 6 and 9).

Challenges in the exposed sectors

The diagram reflects changes over time in average OECD-18 employment rates, rather than the considerable differences among countries. It also does not reflect the shifts in the composition of exposed-sector employment which had the effect that large job losses in agriculture and industry have been partly compensated by employment gains in financial and business services. Nevertheless, total employment in the exposed sectors has been at best stagnant, but mostly declining over the last thirty years in the advanced industrial economies. This is not meant to suggest that these sectors are losing their economic importance. The wealth of countries depends on their ability to maintain or improve their competitiveness in internationalized markets for goods and services. Moreover, though employment rates in industry are declining everywhere, the speed of decline varies among countries, and the same is true of the rise of production-related services in ISIC 7 and 8. In other words, national structures and policies continue to matter. On average, in any case, about half of all jobs in OECD-18 countries are still provided in the exposed sectors. By and large, these are highly productive and hence well-paying jobs, and countries have every reason to defend them against further erosion.

But this defense has become more difficult. Protective measures and subsidies are constrained by the legal commitments of the GATT and WTO, and they are effectively ruled out among EU member states by the strict enforcement of European competition law. Among the member states of the European Monetary Union, moreover, the adjustment of exchange rates is also no longer available to correct for losses of international competitiveness. As a consequence, above-average increases of unit labor costs – regardless of whether they are the result of high wage settlements, of increases in payroll taxes or of more stringent employment regulations – will directly reduce the competitive position of
Panel 3: The political response to the new challenges: raising the issues

Figure 1: Average OECD-18 Employment Rates
national producers in the European markets. By the same token, competitiveness will be improved by all measures reducing the costs of production or increasing productivity – regardless of whether they are achieved through wage restraint, through more flexible work organization, through outsourcing and greater specialization, through public support for technology transfer and innovation, or through training and retraining the workforce.

The importance of relative production costs is questioned by a literature which emphasizes the comparative advantages of different production regimes, asserting that high-cost-high-skill and low-cost-low-skill economies may be equally successful in different international product markets. (Soskice 1999). Fair enough. Nevertheless, once countries have joined the Monetary Union, any later changes in production costs that are not matched by corresponding changes in productivity will have a direct effect on market shares and employment. In other words, the existence of a common currency increases both, the penalties on excessive wage and tax increases and the temptations to adopt beggar-my-neighbor strategies. But since these risks are well understood, unions and governments should generally be able to deal with them.

It is less clear that they are equally prepared to deal with another risk arising from the Monetary Union. After the demise of Keynesianism in the early 1980s, the primary responsibility for managing national economies had shifted to central banks – whose “non-accommodating” policies defined the narrow monetary corridors within which governments and unions had to operate. But Euroland is not an “optimal currency area”, and business cycles in its member economies are not perfectly synchronized. Hence the monetary corridor defined by the ECB, which can only respond to average conditions in the Union as a whole, may be either too wide or too tight for some countries. Where it is too wide (as is presently true for Ireland), nominal Euro interest rates will turn into very low or even negative real interest rates. The likely outcomes are an overheating economy, escalating rates of local inflation, a loss of international market shares, and ultimately massive job losses in the exposed sectors. If the ECB monetary corridor is tighter than is justified by the state of a national economy, real interest rates will rise and local consumer and investment demand will be reduced, even though the economy is not overheating and unemployment may be high.

Under either of these conditions, disaster can only be avoided if national governments and unions reassume a more active role in macro-economic management than they had played in the “monetarist” 1980s and 1990s. If monetary policy is too loose, governments must be ready to impose tax increases and to cut expenditures in order to reduce aggregate demand; and unions should at least prevent unit labor costs from rising faster than the rate of inflation. If the monetary corridor should be too tight for a country, fiscal expansion would be called for – which, under the constraints of the EMU Stability Pact, presupposes that governments had built up fiscal surpluses, or at least avoided deficits, in normal periods. Moreover, to avoid massive job losses under conditions of excessive monetary constraint, wage settlements would need to reduce real unit
labor costs in order to allow real aggregate demand to rise as a consequence of falling prices.

In other words: The potential mismatches between an EMU-wide monetary policy and national economic conditions increases the danger of policy-induced job losses in individual member states. If these are to be avoided, there is a need for strengthening the remaining national capabilities for macro-economic management. Since these must be exercised in response to differing economic conditions, and in the face of differing institutional and political constraints, they should and could not be preempted by the directives of an EMU-wide “European economic government” which, again, could only respond to average conditions in the EMU area.

Sheltered sectors

These difficulties of macro-economic management in the member states of the Monetary Union primarily affect employment in the exposed sectors of the economy. While they will also be felt in the sheltered sectors, these are more affected by domestic conditions – which, however, seem to differ greatly between countries. It remains true that employment in those services that are locally supplied and locally consumed has increased everywhere, and that only countries with high levels of sheltered-sector employment have been able to maintain or achieve high rates of total employment (Table 1, columns 1 and 3). But these services differ in the way they are provided and financed, and so do the conditions which allow them to expand.

The main theoretically salient difference is between public and private financing. While the consumer-oriented services in “wholesale and retail trade, restaurants and hotels” (ISIC 6) or in house repair and maintenance are typically produced and consumed in the private sector of the economy, that is not generally true of the “community, social, and personal services” (ISIC 9), which include the large blocks of education and health care which in most countries are primarily financed from public sources, but may or may not be provided by the state itself.

From a comparative perspective, it is important to note that those countries which have comparatively high rates of employment in the sheltered sectors are characterized by contrasting public-private-sector profiles: If we follow the classification introduced by Esping-Andersen (1990),

2

the Scandinavian welfare states tend to have very high levels of government employment and relatively few jobs in private-sector services,3 while this pattern is reversed in the Anglo-

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2 A complete classification of EU countries would need to add a group of “Southern” welfare states (including Portugal, Spain and Greece – and perhaps Italy) that share many of the Continental characteristics, but at a lower level of generosity and with less complete coverage (Ferrera, Hemerijck and Rhodes 2000). But since these countries were not covered by our own project, I will not discuss them here.

3 Since available data do not allow us to distinguish between publicly and privately financed employment in ISIC 9, we take employment in ISIC 6 (where employment in wholesale and retail trade, hotels and restaurants is generally located in the private sector) as a proxy for employment in privately financed services.
Saxon countries and Switzerland. Continental countries, however, seem to conform to the Anglo-Saxon pattern in having very few public-sector jobs, while they conform to the Scandinavian model in having relatively low rates of private-service employment (Table 1, columns 4 and 5). It is no surprise therefore to see that they not only have the lowest rates of employment in the sheltered sector but also the lowest rates of total employment.

The explanations of these different patterns of sheltered-sector employment are directly related to the functions performed by different types of welfare states, and to the ways in which they are being financed. Countries have widely differing dividing lines between the functions the welfare state is expected to perform and those that are left to private provision, either in the family or by the market (Figure 2).

All three types of welfare states provide means tested social assistance that assures basic incomes and social services for the poor. Beyond that, Scandinavian and Continental welfare states have also assumed responsibility for providing earnings-related social insurance that is meant to secure the standard of living of average-income families in the case of unemployment, sickness, disability and in old age. In Britain and other Anglo-Saxon welfare states, by contrast, workers with average or higher incomes have to rely on private provisions for these eventualities. Moreover, only the Scandinavian welfare states are providing universal and high-quality social services that have alleviated the family duties of wives and mothers while at the same time providing the

### Table 1: Total and Sectoral Employment as % of the Population 15-64.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Employment as % of Pop. 15-64</th>
<th>Employment Exposed Sectors as % of Pop. 15-64</th>
<th>Employment Sheltered Sectors as % of Pop. 15-64</th>
<th>Government Employment as % of Pop. 15-64</th>
<th>Employment in ISIC 6 as % of Pop. 15-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>73.9</td>
<td>32.2</td>
<td>41.7</td>
<td>10.6</td>
<td>16.1</td>
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<tr>
<td>AUS</td>
<td>68.5</td>
<td>32.5</td>
<td>35.4</td>
<td>10.4</td>
<td>17.2</td>
</tr>
<tr>
<td>NZ</td>
<td>60.9</td>
<td>34.9</td>
<td>33.4</td>
<td>9.0</td>
<td>14.7</td>
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<td>34.8</td>
<td>35.2</td>
<td>9.6</td>
<td>13.7</td>
</tr>
<tr>
<td>CH</td>
<td>79.8</td>
<td>41.8</td>
<td>37.8</td>
<td>11.1</td>
<td>15.2</td>
</tr>
<tr>
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<td>31.9</td>
<td>14.3</td>
<td>14.4</td>
</tr>
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<td>56.3</td>
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<td>28.1</td>
<td>10.4</td>
<td>10.1</td>
</tr>
<tr>
<td>D</td>
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<td>28.1</td>
<td>9.1</td>
<td>11.0</td>
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<td>34.9</td>
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<tr>
<td>DK</td>
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<td>38.4</td>
<td>22.6</td>
<td>12.1</td>
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<td>S</td>
<td>69.6</td>
<td>33.7</td>
<td>37.1</td>
<td>21.2</td>
<td>10.6</td>
</tr>
<tr>
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<td>66.5</td>
<td>33.5</td>
<td>33.6</td>
<td>12.6</td>
<td>13.0</td>
</tr>
</tbody>
</table>

(Sources: Columns 1, 4: OECD Economic Outlook; Columns 2, 3, 5: OECD Labour Force Statistics)
Panel 3: The political response to the new challenges: raising the issues

Figure 2: Functional Profiles of Different Types of Welfare States

<table>
<thead>
<tr>
<th>Universal Social Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings-related Social Insurance</td>
</tr>
<tr>
<td>Means-tested Social Assistance</td>
</tr>
</tbody>
</table>

Scandinavian Welfare States | Continental Welfare States | Anglo-Saxon Welfare States

Public-sector jobs that have raised female participation in the labor market to record levels (Table 2, column 1). In Continental countries, such services are to a large extent still provided in the family, while in Anglo-Saxon countries the market plays a bigger role (Scharpf and Schmidt 2000).

The conclusion, then, seems to be that high levels of employment can only be achieved in countries which are willing and able to transform a large part of informal household and family work into paid employment. The size and the specific patterns of welfare state functions and finance will encourage or discourage this transformation, and they will also determine whether the additional employment opportunities will evolve in the public or in the private sector of the economy. The Anglo-Saxon and Scandinavian societies have made their choice. They have accepted or promoted the growing participation of women in the labor market, but they have opted for different solutions: Scandinavia has expanded publicly financed social services, whereas the Anglo-Saxon welfare states have created conditions that allow the expansion of affordable private services.

Under the influence of Catholic social theory, most Continental countries have so far avoided this choice. While they no longer discriminate explicitly against women in the labor market, they continue to emphasize, and subsidize, the traditional family roles of married women (Daly 2000). Hence they have done little to help women to combine employment and family responsibilities.
through publicly financed child care facilities, all-day schools, and home-care services. At the same time, their systems of taxation and social protection tend to reduce the attractiveness of part-time work for married women, while prevailing patterns of welfare-state finance and labor-market regulations tend to increase the cost of private services for employers and to reduce their attractiveness for potential customers.

But even though the policy patterns of the Continental welfare state may continue to have political support, their socio-economic viability is rapidly eroding. Forced to choose between having children or having a career, better-trained women have increasingly opted for the latter. Thus, the countries with the lowest rates of female employment also tend to be the countries with the lowest birth rates – with dire consequences for the age distribution of their societies and for the financial viability of their comparatively generous public pension systems.

But whereas pension reform is now on the political agenda of all Continental welfare states, few countries (with the Netherlands as a noteworthy exception) have begun to change the underlying structural conditions that impede the creation of employment opportunities in the sheltered services. In part the inertia may be due to a continuing ideological bias (and to the under-representation of women’s interests) in government and union decisions. Yet even if policy makers had the best of intentions, effective employment strategies would still confront a double jeopardy: They would presuppose a basic choice between public- and private-sector solutions which, for practical purposes are mutually exclusive, and whose pros and cons are bound to divide supporters. Moreover, either one of these solutions could only succeed against massive political opposition.

**Public services**

In the late 1990s, government employment amounted to 22.6 percent of the working-age population in Denmark, but only to 8 percent in Italy (Table 1, column 4). By the same token, female participation rates are also very high in Sweden and Denmark (Table 2, column 1). These data reflect the strong political commitment of Scandinavian welfare states to providing high-quality and universal services to families with small children, to the sick, the handicapped, and the old (Table 2, column 2). Lacking this commitment, public expenditures on social services and public-sector employment are equally low in Continental and Anglo-Saxon welfare states. Nevertheless, female participation rates are considerably higher in Anglo-Saxon countries than they are on the European Continent – which reflects conditions favoring or impeding private-sector service employment that I will discuss below.

In the Scandinavian welfare states, record rates of public-sector employment are matched by record levels of social spending (Table 2, column 3) and of total taxation (Table 2, column 4), whereas social spending and tax burdens are quite low in Anglo-Saxon countries. Continental countries are at an intermediate level in both regards because, in contrast to the Anglo-Saxon pattern, they
Panel 3: The political response to the new challenges: raising the issues

Table 2: Selected Indicators of Welfare State Performance 1995-96.

<table>
<thead>
<tr>
<th>Country</th>
<th>Labor Force Participation of Women (%)</th>
<th>Total Social Expenditure as % of GDP</th>
<th>Services for Families, the Handicapped and the Aged as % of PNB</th>
<th>Total Taxation as % of GDP</th>
<th>Social Security Contributions as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>72.0</td>
<td>15.8</td>
<td>0.36</td>
<td>28.5</td>
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<td>AUS</td>
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<td>15.7</td>
<td>0.56</td>
<td>30.4</td>
<td>2.0</td>
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<tr>
<td>NZ</td>
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<td>18.8</td>
<td>0.15</td>
<td>36.4</td>
<td>0.3</td>
</tr>
<tr>
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<td>22.5</td>
<td>1.16</td>
<td>35.3</td>
<td>6.0</td>
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<tr>
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<td>B</td>
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<td>0.28</td>
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<td>D</td>
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<td>37.5</td>
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</tr>
<tr>
<td>OECD 18</td>
<td>61.2</td>
<td>24.0</td>
<td>1.63</td>
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(All sources: OECD)

share the Scandinavian commitment to state-provided social insurance. In other words, in order to expand publicly financed social services, Continental countries would either have to raise taxes and/or social security contributions to Scandinavian levels, or they would have to reduce social-insurance spending to Anglo-Saxon levels. But neither of these options appears politically feasible.

Continental governments have for some time struggled with the need to reduce the generosity of public pensions in order to cope with the demographic challenges of rapidly aging populations without raising social insurance contributions to ever higher levels. Since citizens had based their life plans on the trustworthiness of existing pension systems, however, political opposition against such cuts is very strong, and retrenchment, if it is achieved at all, must be gradual and quite limited. Under these conditions, it seems out of the question that benefits could be reduced further, by about three or four percentage points of GDP (Table 2, column 2), in order to increase publicly financed social services to the levels realized in Sweden and Denmark.

At the same time, tax increases of similar proportions are also not a politically realistic proposition. Within the European Union, capital and business investments have become highly mobile. As a consequence, member states are in competition over internationally mobile tax bases, which creates downward pressures on the taxation of capital incomes and business profits. Since efforts at European, let alone international, tax harmonization have not been successful,
these pressures are likely to continue. Yet if taxes on business and capital incomes are reduced for economic reasons, political demands for a general reduction of personal income taxes also become stronger, and governments could hardly dare to propose increases instead (Ganghof 2000).

In the 1990s, it is true, some governments have increased taxes on immobile factors of production – primarily, social insurance contributions – and in Germany, for instance, some of these revenues are indeed being used to finance additional employment in long-term home care for the elderly (Manow and Seils 2000). In the meantime, however, the member states of the European Monetary Union have come to realize that in the absence of exchange-rate adjustments all increases in the costs of production will reduce international competitiveness and hence employment in the exposed sectors. As a consequence, governments are now struggling to reduce non-wage labor costs or at least to stop the further rise of social contributions. That leaves value-added taxes whose increase will not affect competitiveness as long as the EU does not switch from “country of destination” to “country of origin” rules. But the distributional impact of consumption taxes is thought to be regressive; moreover, VAT rates are already quite high in many countries so that further increases would not only run into strong political opposition, but also increase incentives for tax evasion.

Conceivably, many of these obstacles could be overcome by well-designed revenue-raising strategies – if there were strong political support for a major expansion of publicly financed social services. But that does not exist. The reasons are not only ideological. The expansion of social services in Scandinavia began in the high-growth period of the late 1950s and 1960s, when opportunity costs were relatively low. It continued, it is true, in the crisis ridden 1970s and early 1980s, but by that time the virtuous cycle was already in operation through which the availability of professional caring services – allowing wives and mothers to seek employment and creating a large number of public-sector jobs which women could take – was generating the political support for further expansion (Benner and Vad 2000. In Continental countries and in the present period, however, these jobs and the political support which they could create do not yet exist, and any expansion of public services would not only run counter to the Zeitgeist of the lean state, but would have to be achieved at very high opportunity costs in terms of tax increases or expenditure cutbacks in other areas.

In short: The Scandinavian solution does not seem to provide a politically viable solution to the present employment problems of Continental welfare states. But what about Anglo-Saxon solutions?

Private services

The Anglo-Saxon countries have achieved high levels of sheltered-sector employment through the expansion of privately financed services. They include an increasing number of highly productive and well paid jobs in education, further education and training, health care and other forms of therapy and
counseling, entertainment, and the media. These also exist in Scandinavian and Continental countries. There, however, the expansion of high-skill employment is held back by the fact that public financing plays a comparatively larger role in health care and education, and that tightening fiscal constraints have called for retrenchment rather than growth in public services during recent decades.

At the same time, however, the expansion of private services in the Anglo-Saxon countries has also created large numbers of less productive jobs with relatively low skill requirements and correspondingly low market wages. In the employment statistics, these are found in ISIC 9 as well as in ISIC 6, but as we cannot distinguish between public and private financing in ISIC 9, we take ISIC-6 data as a proxy, since employment in hotels, restaurants and trade tends to be in the private sector, and much of it is characterized by relatively low skill requirements, low labor productivity, and low wages (Table 1, column 5).

In the Anglo-Saxon countries, the expansion of such services is facilitated by a relatively low tax burden and by largely deregulated labor markets with weak unions, high wage dispersion and low minimum wages. However, the market wages earned in low-skill jobs are often insufficient to provide for the needs of families with children. In countries like the United States or New Zealand, where welfare benefits are low, the resulting problem is “working poverty”; in the United Kingdom and other countries where social assistance benefits are more adequate, the consequence are “workless families”. In both cases, the solutions that have been adopted are in the nature of “in-work benefits” – the Earned Income Tax Credit” in the United States, or the Working Families Tax Credit in Britain – which, according to the logic of the negative income tax, complement the wages of low-paid workers with social transfer payments that are only gradually withdrawn as income from work increases (Howard 1997; Rhodes 2000; Schwartz 2000). Where these transfers are sufficiently generous, employment opportunities for low-skilled workers can expand in the private services without entailing a dramatic rise in poverty and inequality.

In Scandinavian and Continental countries, by contrast, structural conditions are generally hostile to the expansion of low-paid private service employment. Tax burdens are high or very high, labor markets are highly regulated and inflexible in most countries (with Denmark as a notable exception), unions are often very strong, and minimum wages (defined by collective bargaining agreements or by statute) are relatively high. As a consequence, many of the less productive services that are provided by private firms in the Anglo-Saxon countries are priced out of the market. For the Scandinavian countries that is less of a problem, because an important part of these services are publicly provided. For Continental countries, however, the result are low levels of total employment, low female participation rates and, increasingly, the denial of working opportunities for low-skilled groups. Even if the rise of poverty is held in check by adequate unemployment and social assistance benefits, the structural exclusion from the labor market of a substantial part of the working-age population must be considered a threat to social cohesion.
Better education and training must surely be part of any solution, especially for second- and third-generation immigrants whose skill potential is vastly underdeveloped and underutilized in most European countries. But not everybody can be trained to be a computer specialist; and in any case, supply-side measures alone cannot suffice where the demand for labor is structurally inadequate. In other words, Continental countries cannot expect to overcome persistent underemployment unless they are able to create structural conditions that are more favorable to an expansion of private service markets. The strategies that would allow them to do so are, in principle, well known (Hemerijck and Schludi 2000): They would need to reduce the negative employment effects of high tax burdens; they would need to transform generous benefits for the unemployed into in-work benefits for low-paid workers; and they would need to increase the flexibility of labor markets.

In theory, the first of these requirements could be met most easily. In our project, we have shown that private-service employment is hardly affected at all by the level of income and corporation taxes, but is highly sensitive to social security contributions and consumption taxes (Figures 3 and 4). The reason is straightforward: Income taxes are progressive, and they are not imposed on
incomes below a basic exemption. Hence they hardly affect low-wage and part-time employment. Social security contributions, by contrast, are generally proportional (and in fact regressive, since they are capped at higher wage levels) and they are usually collected without an exemption. In quite a few countries, therefore, wages from low-paid and part-time jobs are taxed at a rate that exceeds the rate of income taxes levied on millionaires. If these contributions are borne by the worker, net incomes will often be reduced below the level of social assistance benefits. In order to find willing workers, therefore, employers would need to bear most of the burden – with the consequence that the costs of low-skilled labor, and hence the price of less productive services will rise to levels where potential customers are likely to turn to self-service (Gershuny 1978) or to “black-market” suppliers. The same is true if the price of services is raised by high VAT rates.

Since the revenue mix of Continental countries is characterized by an extremely high reliance on social security contributions (Table 2, column 5) as well as relatively high consumption taxes, the appropriate solution seems obvious: VAT and social-security contributions should be reduced for low-paid services, and the revenue loss should be made up by increasing the intake from
income taxes. Some countries (including France, Belgium and the Netherlands) are slowly moving in this direction, but elsewhere such reforms have been blocked by trade unions that are, in principle, opposed to any expansion of low-wage employment and “bad jobs”. By the same logic, unions also tend to oppose the transformation of unemployment benefits into in-work benefits for workers accepting low-paid jobs.

By itself, however, lowering the costs of labor will not have major employment effects unless it is accompanied by other reforms. Increasing the flexibility of employment relations is particularly important in countries where private services are underdeveloped and can only expand if existing firms find new markets and if new firms will develop new types of products in the hope of finding a market for them. Under such conditions, the rigidity of employment protection legislation – which generally is very high in Continental welfare states (OECD 1999) – will discourage hiring when firms are uncertain that demand for their services will be stable. Moreover, the expansion of service markets will also be impeded by regulations that protect traditional professions by restricting market access and the creation of startup firms. In both regards, however, attempts at deregulation tend to encounter the fierce opposition of labor unions and professional organizations, while political support remains weak since the firms that would benefit from them do not yet exist and potential customers are not organized.

CONCLUSIONS

All advanced welfare states are exposed to more intense international competition in product markets and unrestricted capital mobility. On average, the consequences have been declining employment rates in internationally exposed sectors and tightening constraints on domestic policy choices caused by tax competition, regulatory competition and wage competition. Countries that nevertheless were able to maintain or even increase total employment, owe their success to increases in the sheltered sectors, where services are locally provided and locally consumed. But these increases have been achieved in diametrically opposed configurations that are directly related to the functions assumed by different types of welfare states.

In the Scandinavian welfare states, very high total employment rates are achieved in consequence of a political commitment to provide high-quality and universal social services for families with young children, for the sick, for the handicapped and for the aged in the public sector. Since these services are primarily financed by very high income taxes (with relatively low rates for incomes from capital), they are relatively immune to international competition in product markets and to tax competition. If there are problems, they would arise from political tax opposition which, however, remains muted as long as middle-class voters see themselves as beneficiaries of the service-intensive welfare state.

By contrast, public-sector employment is very low in Anglo-Saxon welfare states. If they nevertheless achieve high levels of total employment it is because
Panel 3: The political response to the new challenges: raising the issues

of the expansion of services in the private sector. It is facilitated by low tax burdens and highly flexible labor markets. If there are problems, they are the consequences of increasing inequality and poverty among low-skilled workers depending on low-wage jobs. The remedy that is preferred by Anglo-Saxon welfare states are in-work benefits that subsidize incomes from low-wage employment. However, the generosity of this solution, and hence its effectiveness, depends on the political support of middle-class voters who – in contrast to the politics of the Scandinavian welfare state – are not themselves among the beneficiaries of the programs for which they are asked to pay.

The Continental welfare states, finally, are in the worst of both worlds. Their total employment rates are lowest since they have as little private-sector employment as Scandinavian countries, and as few jobs in the publicly financed services as Anglo-Saxon countries. Moreover, the traditional social pattern, on which the Continental model was based, is rapidly eroding as women are no longer willing to forego formal employment in order to perform socially necessary caring services at home.

At the same time, however, the theoretically available solutions to the problems of Continental underemployment are confronted by extreme political difficulties. Under present economic conditions, proposals to expand publicly financed social services to the Scandinavian level would have high opportunity costs. Expenditure cuts as well as tax increases that could finance the expansion would run into fierce political opposition. Even more important: There are no organized and politically influential groups (apart from unions engaged in rearguard battles against public-sector retrenchment) to whose popular demands governments could respond. At the same time, however, economically more feasible strategies that would increase employment opportunities in private-sector services are resisted by unions opposed to the creation of a low-wage labor market, no matter how publicly subsidized, and by professional interests opposed to the deregulation and liberalization of protected, if stagnant, service markets.

In short, like the maintenance of financial support for the Scandinavian service state and the success of anti-poverty strategies in Anglo-Saxon countries, the fight against persistent underemployment in Continental welfare states is, at bottom, a political challenge. Economically viable solutions are available, but they cannot be used – against the veto positions of entrenched interests and the populist temptations of opposition parties – unless governments are able to develop public discourses (Schmidt 2000) that are able to convince their electorates of the blatant injustice and the societal risks of excluding large parts of the population from participation in the processes of social production, and of the feasibility and normative acceptability of policies that would reduce underemployment.
References


I would like to make two comments on F. Scharpf’s paper, which may possibly lead to questions, and then make a few remarks expanding on a footnote of Scharpf’s paper which has to do with southern Europe. The first comment is on the remarks in the paper about European economic government. Scharpf rightly says that possible mismatches between an EMU-wide monetary policy and national economic conditions may lead to dangerous employment losses in individual member States. A possible way of neutralizing such dangerous implications is that of strengthening the remaining national capabilities for macro-economic management. But then Scharpf drops a negative hint at the idea of moving towards some sort of European economic government. I understand the European economic government as a positive development in two ways, both in a “soft” sense, (what is currently known as the “Cologne process” involving input from the social partners and other institutions into the policy formation of the decision of the Central Bank) but also in a “harder” sense, as a strategy allowing the redefinition of some of those rules of the growth and stability pact that have to do with budget deficits, their origin, and their timing, and that could be rediscussed in as much as they have or might have negative implications when an asymmetric shock hits.

The second comment has to do with Scharpf’s diagnosis of the continental predicament. He does not expand much on possible solutions and tends to concentrate essentially on strategies that can promote the expansion of private service markets via the reduction of the tax wage, in work benefits, flexibility and so on. In this respect I have two points. First, in the context of such strategies how do we view the idea of a social dividend, i.e., of some mechanism that works via the integration of tax and benefit schemes at the bottom of the income distribution? There are some countries that are discussing this kind of solution: the Italian centre-left is playing with the idea of offering the social dividend as a key ingredient of its electoral programme and I just learnt that the French Government is taking serious steps in this direction too. I have a feeling that this is a promising direction.

Regarding possible solutions, finding ways of expanding public social services can be ruled out primarily because of budgetary constraints and the political unfeasibility of raising taxes. I am fully aware of these difficulties, but I wonder whether there might not be alternative ways for generating revenues?
For example, charging affluent users of public services, especially in the fields of education, culture and entertainment and also in health and social services. Private health care expenditure ranges from 10 to 30 per cent of total health expenditure in European countries, and I wonder whether there might not be ways of better exploiting this solvent demand for services: for example, through the establishment of “second pillar” health insurance schemes, offering additional treatment with regard to the status quo. A second possibility for generating revenues is that of introducing or raising social security contributions especially health care contributions, for pensioners, especially higher-income pensioners. This is politically difficult but we could offer a kind of quid pro quo, for example by granting or expanding long-term care guarantees to this age group, or offering them a greater choice of opportunities while introducing or raising the contributions on their pensions. Both user charges and contributions and pensions are potentially unpopular measures, but there might be political strategies of discursive persuasion that could be seriously considered to move in this direction. At least, I think that continental governments should be wise enough not to step back on these two fronts in respect of the status quo.

My third and last point has to do with southern Europe. On top of the problems that are faced by the other continental countries, south European countries face at least two extra challenges which are quite dramatic: that of an extensive black economy and that of a wide territorial disparity in the distribution of employment and in the distribution of incomes, especially in the largest countries, Italy and Spain. Several things can be done to tackle these two challenges: by exploiting those remaining margins of policy discretion and by mobilizing national capabilities of socio-economic management. But European competition law is causing very heavy and, possibly insurmountable, obstacles for winning this challenge. A challenge which will become much greater once the enlargement is completed, because the enlargement is going to exacerbate the two problems. In order to win these two challenges, we need policies that grant some sort of differential treatment in order to promote or encourage a gradual compliance with the tax and social security contribution codes on the side of the underground actors. We cannot expect them to emerge out of the blue from one day to the other.

In order to tackle the problem of wide and persisting territorial North-South or East-West geographical cleavages, you need a geographical differentiation of rates, especially social security contributions, and that is not allowed. Half of Italy cannot get what Ireland has: the possibility of reducing its social security contributions, even for a short-time span, which could allow a gradual catching up. Fritz Scharpf has insisted very much in the last ten years in his publications on the risks of what he calls “negative integration” and on the perverse effects of what he calls “joint decision traps”. I think that, in this respect, the current predicament and the rather bleak prospects of what I have called the “South of the South” is an emblematic victim of a faulty institutional set-up at the EU level, an institutional set-up which may be very difficult to modify, but which should at least be identified for what it is: a faulty institutional design.
First of all, I would point out that the goal of full employment is no longer what it used to be. Of course we have the challenges of unemployment, the ageing population and equality, particularly between genders, and there are the issues of interrupted careers and how to reconcile private and professional lives. Lastly there is the question of employability and lifelong learning.

What is clear from all of this is that workers have been burdened with a whole series of risks, but those who can face up to those risks have also been given a whole series of opportunities.

What forms the basis of stability and solidarity for workers today? The traditional practices of making workers feel that they belong to the company appear to be one possible answer, but they are not the whole answer, and perhaps the question is really about workers forming part of a network.

I would like to respond to the very interesting but rather provocative paper given by Mr Scharpf. It seems you either follow the Scandinavian model, but this is complicated, expensive and you should really have done it earlier, or else you deregulate and become more flexible, perhaps in a more civilized manner than the Anglo-Saxons. The argument between the elector and the market is obviously a very violent one. The elector is a middle-class Scandinavian who pays a lot of tax and who knows why, because s/he can see the services s/he is paying for. So there is a basis of political acceptance. The market has a basis which is much more difficult to understand. I have simplified the argument, but I feel that this dilemma needs to be considered in more detail and that certain solutions could still be found.

What might this security that we all need actually involve? First of all, collective bargaining seems to be undergoing a revival, including at national level, if we consider all the social agreements that have been reached in various categories of countries. I think it would be useful and interesting if such negotiations covered some new subjects, and this brings me to the international perspectives that were drawn up almost 30 years ago by a Swedish reformer, Gosta Rehn. These have now been revived by a German, Günther Schmid, and they are very much in line with perspectives such as those contained in the Supiot report.

We need to introduce new subjects for negotiation, take account of new players and establish or strengthen new levels of regulation. The new subjects
are transition and mobility, and they cover the situations of all those moving away from full-time work, including within companies. If you are working full-time and you move to part-time, that is a transition. If you are on flexitime, that is a transition. The question is whether negotiation is possible.

Who are the new players? Who negotiates on the transitions? At present businesses are the ones proposing the transitions, while employment policies account for most of the transitions outside firms. Other players need to be introduced. Who, exactly? Associations, for example, all those non-commercial networks which mediate between public and private. There are also local authorities, employers’ groups, a whole series of bodies that might be included. At what level? Mainly regional, perhaps local, and also European, though I found Mr Scharpf extremely pessimistic on this point.

Time-savings accounts, which are something that a lot of people know about and use, are an example, which I feel could have considerable impact if their use was widespread. Everyone is familiar with taking ‘Danish’leave, and there are other examples like the labour foundations in Austria, which I think have a lot of potential.

This is not about increasing movement or volatility on the labour market, it is about negotiating for better control. We need to broaden the range of options available to workers, taking those who are most disadvantaged first. We need to try to develop the right sorts of transition, because there are right sorts and wrong sorts; when you leave one job and cannot find another, that is probably the wrong sort of transition; unstable employment is a series of wrong transitions. The question is how to promote the right sorts of transitions. If we look at the RMI (minimum income for economic and social integration) in France, people are starting to sort out which paths in certain categories tend to lead to employment and which do not. Should apprenticeships be included here?

Finally, I feel we must think about rebalancing the conditions under which companies are run. A whole range of risks appear to have been transferred onto the workers’ shoulders; if we give them a whole series of rights we might be able to rebalance how those risks are managed.

This is known as ‘transitional markets’, not in the sense of individual supply and demand, but in the sense of the process of negotiating and allocating transitions.

In conclusion, I should like to come back to the issue of a political response. Some firms make transitions: the richer they are, the more they make and the more sophisticated they become, particularly when it comes to retaining the size of workforce they think they need. We have seen that employers and trade unions can add to negotiations by including transitions as subjects for discussion. We have seen that the State can become a partner to the negotiations, and that other players can arrive on the scene. But let us be quite plain about it: negotiating about transitions is very, very complicated. How can we arrive at a political agreement? First of all, we need to have a slightly less uncertain picture of what the future holds. Is the future just about giving very low-paid jobs to people who, sadly, have very low productivity? Cannot the future be a transition, something more flexible, involving training, a high degree of skills, a balance between those
Panel 3: The political response to the new challenges: raising the issues

skills? As can be seen, some sort of notional regulation is emerging. It is not yet fully developed, but it seems that political feasibility depends on having a new perception of what is wanted, which is the development of new objectives and new subjects for negotiation.

Bibliographical reference:
Training for men and women is a global factor of both production and growth. At the same time it is also a profitable investment for the individual, and should be a factor of social justice.

This investment – individual and collective, private and public, economic and family-based – in training has increased as unemployment has grown. However, its roots go back as far as the end of the Second World War, when those in charge of economic policy wanted to give the country a highly-skilled workforce which would be able to modernize the French economy and compete with its strongest rivals. After the oil crises, another trend emerged which gave training a further boost: the desire to fight unemployment; keeping people in education for longer is probably the most effective way to combat a crisis, and it has won over and motivated many families, including the most disadvantaged. The tried and tested idea that a person’s level of unemployment or vulnerability was inversely proportional to their level of qualification quickly took off. As it became more and more difficult for young people to become integrated, everyone at every level of society quickly realized that school provided an escape route.

Currently, a relatively rare situation exists where three usually more contradictory forces converge: a production-orientated ethic promoting innovation and investment in future generations, making it an economic component; a family-based ethic of individual recognition and social promotion; and a French-style republican, meritocratic ethic which allocates an increasing role to academic competition.

The convergence between these three forces, which is rarely seen in society, triggered an unprecedented training investment drive some 30, 40 or even 50 years ago (all depending on the period selected). The funding allocated by the national education budgets for training for a particular generation 30 years ago has increased eight- or nine-fold. Because the generations are larger in number today, the amount allocated for each individual has increased some five-fold. The effects of this have soon become apparent: only 14 per cent of those born in 1940 continued studying beyond the age of 20; the figure is double for generations born in the 1960s.

This increase in numbers has been accompanied by a major increase in the level of training. But – and here lies the rub – the aspirations of families and
young people have grown by even greater proportions. This fundamental phenomenon is also a source of discord. Whereas in the 1960s parents’ aspirations for their children were more or less in line, in all social categories, with what they actually achieved, the level of aspirations has now risen in all groups, and particularly in working class groups who, thirty years ago, were content, despite their grumbles, with the sort of education and jobs that their children could expect.

A preliminary assessment of this growing State and family investment in the machinery of education indicates that the overall adjustment has been successful. Over 30 years the changes in the structure of qualifications on the one hand and in the structure of jobs on the other have followed very parallel curves. At the top, qualifications equivalent to or above a first degree (baccalauréat + 3) have increased in line with the number of senior management posts. At the other end of the scale, the downward trend in the numbers leaving the education system without qualifications is mirrored by the dramatic reduction in the number of unskilled jobs.

There have been adjustments, at both macro-social and macro-economic levels. The increasing sophistication and intellectualization of the machinery of production has been visibly mirrored by the higher levels of education. Both have helped to change the way the cards are dealt. The higher level of education has kept pace, and sometimes outstripped, the demand for greater skills from senior management, businesses and the State.

Women’s aspirations to work have developed and been bolstered by the continuing improvements in education, and women have advanced much more quickly in gaining qualifications after starting from a much lower point in the 1960s. Having said that, there are a number of reasons why this rather reassuring view of the overall adjustments that have been made is not all it seems. First of all, the benefits obtained by women in terms of skills are much lower than they might expect in view of their academic performance. At the degree-equivalent level, the points on the qualifications curve measured in terms of diplomas are always below the development curve for middle or senior management posts. Secondly, and this is the most important factor, the number of unskilled jobs has fallen much more quickly than the number of young people leaving school without qualifications or very poorly qualified.

This is why there has been such a massive process of cascade downgrading. Broadly speaking, in the 1960s most men with degree equivalents became senior managers, and a considerable proportion of non-graduates could also achieve senior management status; today, however, the chances of obtaining a senior management post with a degree equivalent are much smaller, since most such jobs are exclusively occupied by graduates.

This explains why there is growing frustration: more and more holders of masters degrees are having to take jobs below the level of their academic qualifications.

This cascade or accumulation phenomenon has the greatest impact at the bottom of the social hierarchy, where graduates and non-graduates are often in
unfair competition with each other, particularly in the new services companies (fast food especially).

In short, there are not enough unskilled jobs for the unskilled. The greatest problems are faced by those at the bottom of the academic and social hierarchy, while at the top the number of jobs is more or less keeping pace with the number of workers, with only minor differences between them.

Continuing training does not help, since most of those receiving such training in France are skilled staff from the sector in question, and no-one else. Let us hope that the law on the validation of occupational achievements changes this situation once and for all.

In conclusion, let us compare the situation in France with that of other countries. In the Scandinavian model robust training for everyone at every level plays an important role. This is the most egalitarian solution, since it compensates for the harm done by progress. The German model involves an extremely high level of theoretical training which is designed to ensure that managerial staff are completely transformed into a multiskilled workforce, and that their multiskilling enables them to cope with change. The Japanese model is a homogeneous system of general training with huge differences between the higher education establishments. In the German and Japanese models all technical and vocational training is left to firms to provide. France’s position is a bit of a mixture. What makes us different is something we have inherited from the Catholic religious tradition of the French education system, which has always laid emphasis on educating people to be good Christians first, and then good citizens, but never workers. So the French model provides general training for general minds and baulks at training professionals. The ongoing stand-off between schools and businesses seriously undermines any possible long-term solutions. The training provided by firms is regarded by schools as short-term training which does not promote multiskilling or conversion.

France is also the country which has gone furthest with the idea of using education to tackle unemployment. This has not always resulted in genuinely vocational training, but has tended to keep growing numbers of students in the education system for longer.

But now that employment is making a recovery, how are we to solve the problem of the most underprivileged? The numbers staying in the education system seem to be falling off somewhat, and this is where the solution lies, in less education and more work, because as all the surveys show, young people and those in difficult circumstances have an enormous desire to work. The second problem to be resolved is complicated, but is this any reason not to tackle it? It concerns the redistribution of capital in the education system between vocational, technical and general training.
How can the Welfare State survive internationalization?

Fritz Scharpf offered the following analysis of the situation: Globalization leads to a decrease in employment in internationally exposed sectors of the economy. Hence, the Welfare State can survive only if it manages to increase employment in sheltered sectors of the economy. In Europe, Scharpf detects there are two successful models of coping with this problem. The first is the UK model, which is characterized by low taxes, and a market approach for social services. In the UK, low public spending on social services goes hand in hand with a transfer of previously «non-market activities» (family work, child-care, public education, public infrastructure) to the market economy. This becomes visible particularly in the high female participation rate in the labour market. The second model is the Scandinavian one, which is based on high taxes and high social spending, generating equally high employment rates. Continental Europe is in the worst of all situations, because it is situated somewhere in the middle between the UK and the Scandinavian approach. In Scharpf’s view, continental European States must chose either one of these paths. Since the Scandinavian approach of raising taxes does not have sufficient political support, the only path to follow in order to increase the employment rate would be the UK approach of reducing taxes and public spending.

First of all, the reality is less «black and white» than presented in this paper: While all agree that a «Volksheim» approach of the comprehensive and all pervasive Welfare State is no adequate response to the current challenges in continental Europe (and by the way it has been fundamentally reformed in the Scandinavian states themselves), the UK model of low taxes and low public spending is also showing serious adverse effects, not only on social cohesion, but also on the competitiveness of exposed economic sectors: the very poor quality of the public educational system has generated a very poorly qualified workforce, which sometimes lacks even the most basic skills, has a very low productivity and has therefore become a serious impediment for foreign investors. The catastrophic state of public administration and infrastructure – think of the economic costs due to the problems of the railway system or the inability of public administration to contain BSE and foot and mouth disease –
is a further indicator of the fact that the transfer of public activities to the private market does not automatically solve the problems of the welfare state, and that too radical cuts in public spending can have adverse economic effects on the competitiveness of the private sector, which needs efficient administrative and logistic infrastructures and a highly productive workforce.

Secondly, the notion of exposed and sheltered sectors has to be reviewed: many sectors, which were considered to be sheltered have become exposed to international competition, therefore a policy approach based on such an assumption is dangerous.

Labour market regulation and employment rates

Jacques Freyssinet made the point, that empirically, there is no correlation between the degree of labour market flexibility, i.e., deregulation, and employment performance. What is at stake in today’s situation is not the question of regulation vs. deregulation, but what kind of regulation is more efficient in terms of employment creation. From the companies’ perspective, employment regulation must reduce transaction costs, while accommodating the need for more flexibility at the company level.

Bernard Gazier made the point that the different levels and modes of labour market regulation are being readjusted and redefined. This refers to the question of legislation vs. negotiation, enterprise vs. sectoral/regional levels, etc. In some countries we also see the emergence of new modes of regulation, e.g., national pacts for employment and competitiveness, which complement legislation and build the consensus necessary for the reforms of the social systems. The EU-level response to globalization has led to an increased importance of EU-level regulation, and finally regulation at world level becomes more important, as has become clear from the debates around the liberalization of world trade and the role of the ILO in this context.

A further response to the challenges of globalization consists of introducing new subjects in the employment regulation: the introduction of long-term working time accounts, which has been agreed, in the Volkswagen group for example, is showing new ways of realizing flexible working time arrangements at company level. Another topic which will gain in importance is employee participation in enterprise results.

Concerning the emergence of new actors for employment regulation, several speakers raised the issue of non-governmental organizations as partners in collective negotiations. However this raises the problem of the binding nature of collective agreements: if agreements concern working conditions, the actors must be able to deliver what they have agreed upon, and this is only possible for the parties to the employment contracts, i.e., workers and employers. What can NGOs deliver in this respect? It seems that a clear distinction must be made in this context between negotiations, which are binding on the signatory parties and can be concluded only by social partners with a mandate for collective action on behalf of their members, and cooperation, which already includes a wide variety of actors, e.g., companies, unions and NGOs in the context of social standards.
in developing countries. It is essential that roles and responsibilities of the different actors should not be confounded.

What should be the content of labour market regulations? With the increasing diversity, discontinuity and dispersal of work patterns and personal careers due to the effects of globalization, labour market regulation is changing its contents. If it is to be employment conducive, it must take into account the companies' need to increase individual enterprise flexibility while providing a framework which reduces/optimizes transaction costs. Bernard Gazier made the point that in an environment characterized by the diversity, discontinuity and dispersal of the professional careers of individuals, labour market regulation needs to focus more on the facilitation of good transitions between different activities in the labour market, e.g., the transition from education to work, from one job to another job, from dependent employment to self-employment and vice-versa, from unemployment back into employment.

EU-level regulation
Tiziano Treu highlighted the fact, that the employment coordination process at EU level has already been very beneficial to national development, because it has led to substantial policy transfer in Europe. Concrete examples would be the active labour market policy in the Netherlands and Denmark, which has inspired to a large extent the German reform of labour market policy.

Concerning the more negative aspects of the European Union in this respect, Fritz Scharpf criticized EMU for creating tensions because of regional disparities – e.g., Ireland. However, such regional disparities also exist at national level, and they did not lead to a questioning of national monetary policy before EMU. Maurizio Ferrera criticized the fact that EU competition law has hindered regional policy via State aid or differentiated social security contributions. A way has to be found to better reconcile EU competition policy with the need to promote economic development in poor regions of the EU.

Qualification
Christian Baudelot’s comments focused on the educational system. In his view the educational system – particularly in France – is too concerned with general education and does not prepare young people sufficiently well for working life by providing them with professional skills. Therefore the public response to the challenges of globalization had to improve the link between the educational system and the labour market. On the other hand, the information society is characterized by the fact that professional knowledge becomes obsolete more and more rapidly and has to be updated in a process of lifelong learning. In this perspective, general education, which should teach young people how to learn and acquire new competences throughout their working lives, becomes an important basis for lifelong learning and should not be discarded too quickly. John Morley pointed out that there was a public responsibility for good qualification, which required that there should be a general access to good qualification. He reminded us of «Tinbergen’s choice», according to which the Welfare
State could use public spending either to qualify people, or to give supplementary income to poorly qualified people.

**Conclusion**

We can say that we are probably experiencing a change in paradigms. As Robert Taylor put it, the political responses in the 1990s were dominated by deregulation, privatisation, tax cuts linked with the reduction of public spending and more specifically of social spending. There is an increasing awareness today of the importance of good public infrastructure (education, transport, communication, administration) – which requires public spending – for the international competitiveness of companies. Furthermore, there is an increasing awareness of the importance of social cohesion and hence social spending for the sustainability of the international competitiveness of Europe.
PANEL 4

METHODS, ACTORS AND LEVELS OF POLITICAL ACTIONS
INTRODUCTION

I have been asked to “launch a debate on which new forms of regulation might be introduced in response to the current changes in employment and work”. The very wording of the question indicates the desire to get away from a purely legal approach, which all too quickly boils down to what legal or contractual rules might be introduced. Hence the use of the term “regulation”, which is supposed to provide a broader and more flexible framework for discussion. Regulation is the “in” concept, even among lawyers', and if we are to avoid the risk of letting words think for us, we must start by considering exactly what it means. This critical examination, a very basic approach, will enable us to define the problem we are to debate in more precise terms: can we control the technical and economic changes that are currently taking place in the world of work, and if so, how?

The great advantage of the economic theories governing regulation is that they have broken free from the reductive view of the market economy, and remind us that work, association and exchange, without which there can be no market economy, are facts which are both economic and social at the same time, and thus that an economy cannot exist without the institutions on which it is built. This emphasis on institutions as a crucial element in economic effectiveness naturally leads us on to the idea of having international institutions which are able to supervise the processes involved in “globalisation”. So we can understand why the idea of regulation has been such a hit with those aiming to “civilise” the influence of the market economy or to make it fit for humans to inhabit.

However, the idea of regulation also creates a certain amount of potentially
dangerous confusion or misapprehension. First of all, by combining legal rules
with other sorts of rules, it tends to see the law as just one of several methods of
social management, and thus fails to recognise its dogmatic dimension.
Secondly, it makes it appear that the western way of viewing society as a
community subject to rules is a universal one. Basically the theory of regulation,
like the theory of a standard economy, cannot distance itself from the belief in
universal laws which characterises western culture. It simply takes a more
complex view of those laws.

From a legal point of view regulation appears to be an attempt to combine
the two contrasting types of rules which have existed in the west since the birth
of modern science. On the one hand we have legal rules, which draw their
strength from a shared belief in the values they are meant to express (order,justice, freedom, equality, private ownership, etc.), and on the other we have
technical rules, which draw their strength from scientific knowledge of the facts
they are meant to represent. Technical rules are one-dimensional (they belong to
the world of facts) and are thus practical (having to reflect the diverse nature of
those facts), evolving (having to keep pace with progress in knowledge) and
refutable (allowing contradictions or technical alternatives). Their validity is
entirely dependent on their effectiveness. By contrast, legal rules are two-dimen-
sional (being designed to make the world as it is into the world as it should be).
They are therefore general and abstract (the diverse nature of facts must be
subsumable to them), permanent and binding (they are not subject to the require-
ments of truth). Their legitimacy is based not on scientific knowledge of the
world, but on the fact that they form part of a system of rules which is itself based
on ideal values.

In its desire to change from governing men to administering objects, the
west in modern times has attempted to reconcile these two types of rules. It has
done this in two ways: first, by reducing the law to a purely technical entity
which has nothing to do with values and should be judged by how effective it is;
and second, by placing scientific knowledge of man and nature at the heart of its
system of values. Since it resulted in man being treated as an object, this attempt
to manage the world scientifically produced some monstrous results (the
Holocaust, gulags, Hiroshima), from which we do not yet appear to have learnt
all the lessons. This is why we cannot be too careful with ideas which, like
regulation, apply the philosophies of natural sciences to human affairs. If we take
its primary meaning, which comes from molecular biology, regulation
approaches living beings as machines, whose mechanisms for adapting to their
environment can be formalised. If we understood it in this sense, the regulation
of society would involve three stages: first, identify the mutual adaptation
mechanisms which govern human behaviour (this is what economic or socio-
economic analysis does); then express knowledge of these mechanisms in the
form of behavioural rules; finally, try to ensure that human behaviour obeys
those rules. The law appears in this programme only as a possible, and fairly
outdated, way of formalising the natural laws which scientific and technical
knowledge identify, in other words as a mere tool from which all traces of dogmatism have been removed. The knowledge of experts in the “regulatory authorities” would enable political disputes and conflicts of interest to be avoided and would, as it were, rise above the old opposition of State and market. Harmony through calculation would thus gradually replace the arbitrariness of laws.

Not only would this approach to regulation be dangerous, it would also be doomed to failure. The dynamics of calculation on which the modern world is founded have developed on the basis of a shared belief in a number of unprovable values. We must not forget that the lex mercatoria, the merchants’ law developed in medieval times, was made by good Christians united in their belief in a God who guaranteed promises given. It was the shared belief in this third-party guarantor which created the confidence essential for trade beyond frontiers. Trusts were invented for knights heading off for the crusades, and limited companies for Franciscans who were given assets which they were not allowed to own. In modern times the west has, admittedly, secularised these ideas and made the State the ultimate guardian of personal identity and promises given. But there is still a distinction between what we might broadly term the sphere of belief and the sphere of calculation. The sphere of belief is the sphere of what is qualitative and unprovable; it was largely dealt with by laws, public consultation and the State. The sphere of calculation, of what is quantitative, was dealt with by contracts, negotiation and the market. In order to calculate you have to be able to forget the diverse nature of objects and beings and focus only on their fundamental, quantitative characteristics. This ability to forget, which is necessary for calculating interest and for scientific calculations, is possible because human reason has another side which deals with anything that resists the abstract nature of numbers. Even today our calculations still depend on a number of beliefs that we regard as universal truths and which are prerequisites for the process of globalisation (faith in scientific discovery, human rights, the value of the dollar).

It is only when the State takes charge of the incalculable aspects of human life that the market may be viewed as a self-regulation mechanism and seen in abstract terms, as a separate entity from the people placing the contracts and the objects they relate to. State and market, law and contract, thus become inseparably linked. In an increasingly complex and international world the division of roles between law and contract is changing. On the one hand there are ever-increasing demands on law and the State to deal with everything not covered by the simple logic of calculation. For example, we expect the public authorities to protect us against the incalculable risks generated by economic and technical “development” which go beyond the statistical limits of insurance contracts. This is precisely why the “precautionary principle” has emerged. But the public authorities can only meet these demands if the legitimacy of the law is based on expert knowledge, often institutionalised in the form of independent authorities. On the other hand, because of the limits of the State’s cognitive abilities, issues until recently covered by the law are now handled through contracts and negotiation. This is what is known as the “proceduralisation” of the law, the most
overlooked aspect of which is that specific, qualitative issues previously regulated by laws are now covered by contracts. But contracts, therefore, can no longer be seen as abstract links separate from the identity of the contracting parties and the particular nature of the goods and services or even people that they relate to. Each type of product or service requires its own “regulation” or even its own “regulatory authority” (water, food, telecommunications, medicines, finance, aviation, products of the human body, etc.), which applies its technical knowledge of those products and services while at the same time weighing up the interests involved. The regulatory authority thus acts as a new sort of magistrate or judge, taking decisions by referring both to knowledge of the facts and to value judgments.

In other words, regulation certainly does not mean the disappearance of the “third party” which characterises what we in the west call “the law”

\[3\]. Without this dogmatic reference, which both engenders and symbolises belief in a world order, no institutional structure could survive. It is just that the modern world prefers to see this “third party” as a great regulator rather than as the divine figure of a “great watchmaker” or the legal figure of the State. But we should bear in mind that neither God nor States have disappeared from the global institutional stage. There can be no regulation without a regulator, and there have always been many who aspire to that role.

This reassuring interpretation of the “new regulations” is the one I shall use as the basis for our discussion. Construed in this way regulation does not mean reducing life in society to a set of calculations for mutual adaptation or the programmed disappearance of the non-quantifiable and non-provable values which are inherent in our legal structures. It might therefore help us to get away from the “occidento-centrism” which is inherent in the very concept of law and to place the structures of the nation-state in the broader context of the dogmatic imperative which is common to all civilisations. Since States are no longer able to define or impose the imperative of “decent work”

\[4\], it must be expressed through other institutional channels, particularly at international level.

Redefined in this way, the concept of regulation provides a suitable framework for tackling the problems currently facing labour law. This law incorporates “regulatory” mechanisms for transforming relationships based on strength into legal relationships. By allowing workers representation and collective action it acknowledges that they are genuinely entitled to challenge the law; on the other hand, it channels these collective forces to promote the ongoing development of the law. These mechanisms are what we now call “social dialogue”, which actually refers to a wide range of instruments for confronting employers’ and workers’ interests: rights to information, to consultation, to strike, to be represented, to negotiate … Of course, we can criticise the fact that this concept


\[4\] See *Decent work*, report by the Director-General of the ILO to the International Labour Conference (87th session, 1999).
is so imprecise, which is perhaps inevitable in view of the wide range of constantly changing systems of industrial relations it is designed to cover. But it might also be said that it goes straight to the very heart of the matter by getting us to think of social linkages as links through dialogue. In order to have a dialogue we must speak the same language or use interpreters. Dialogue is therefore never reduced to a binary relationship, since it always requires the existence of a common language, a “third party” which Plato, in Cratylus, calls the legislator of language. In the case of social dialogue this common language is primarily determined by the States and, to a lesser extent, by the international organizations, in other words by the public authorities. Dialogue also presupposes that the speakers are capable of making their views understood. And in the case of social dialogue it is the law which creates these interlocutors and which channels their forces, by organizing the representation of the interests concerned and giving them the ability to take action.

Thus, the concept of regulation cannot mean the disappearance of the “third party” figure which characterises states governed by the rule of law. Instead it suggests that this “third party”, whether it be the State, judges or international organizations, no longer has a monopoly on issuing rules, since rules are also generated by the mechanism which balances the forces operating on the labour markets. If we are to consider what the “new forms of social regulation” might be, therefore, we must examine the two conditions required for the very existence of regulation: the presence of a regulator, and a balance in the forces regulated.

NO REGULATION WITHOUT A REGULATOR

The States remain the keystone of our institutions both nationally and internationally. But they are being universally destabilised, both internally by the centrifugal forces of decentralisation, and externally by the centripetal forces of internationalisation. We must therefore look at how the State is metamorphosing if we are to identify the new foundations on which work might possibly be regulated.

Metamorphoses undergone by the State

The State is not an everlasting and universal institutional form, it was invented by the west in medieval times. The idea of a State that never dies has its roots in the notion of the body mystical, with the theory of the two bodies of the king, as described by Ernst Kantorowicz. Although severed from its religious roots by the Enlightenment and the French Revolution, the State nevertheless continued to be viewed as a super-person, the personification of a power which transcended individual interests (what German lawyers called Herrschaft and the French called puissance publique). The legitimacy of this public authority was challenged in the 19th century by the industrial revolution and the political and trade union struggles which ensued. From its very beginnings the market economy undermined the traditional forms of local solidarity on which the pre-
industrial societies were founded. This breakdown was first seen in Europe and the United States and then moved on to affect every other country to varying degrees as the world became westernised.

The destabilisation of social links based on family, geographical or occupational proximity appeared at the start of the 19th century as a *sine qua non* of modernity. It undermined the legitimacy of the State, whose role and very existence were already starting to be challenged at that time. The first response to that challenge was that of the totalitarian ideologies, which viewed the State as a mere tool in the hands of a single party acting in the name of what were claimed to be scientific laws governing life in society (racial laws, historical laws, etc). The State lost its legitimacy, which passed to other symbols that were supposed to represent how societies operated: race, class, etc. This response was a catastrophic failure, and we must never forget the lessons we have learnt from it. An alternative response, on the other hand, was to restore the legitimacy of the State by giving it new responsibilities. Instead of merely being in charge of governing people and representing a dominant power, it became the servant of people’s welfare.

The State thus claimed to guarantee people’s well-being, in what became known as the ‘welfare state’, the ‘Sozialstaat’ or ‘l’Etat providence’. This welfare state involved two aspects, which developed to varying degrees depending on the country concerned. The first were public services, in other words people were given new rights – rights to healthcare, education, etc – which added the concept of social citizenship to that of political citizenship. The second was wage-earning status (employment), in other words a series of securities that came with being an employed worker. Depending on the country in question, those securities might be directly defined by law or might be the result of collective bargaining which was authorised or organized by law. But in every case mandatory rules were included in the contract of employment and formed the basis for national labour legislation*. The invention of the welfare state enabled the dual trend towards individualisation and interdependence which was developing in industrial societies to be controlled. But at the same time as controlling the trend, it also accelerated the phenomena. Bringing men and women into broad solidarity networks such as social security, for example, freed them from local solidarities while at the same time making them increasingly interdependent at national level.

Today, the open frontiers which have been the response to a whole series of factors (economic, political and technical) with which we are all familiar are overturning the national frameworks on which life in society has been constructed. In turn, national solidarities are being challenged by what we call globalisation and by relocalisation and reterritorialisation. Globalisation and localisation are the two inseparable faces of world economic strategies that are based on the exploitation of local competitive advantages. This dual trend

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Panel 4: Methods, actors and levels of political actions

towards internationalisation and localisation has paradoxical effects on the labour markets, subjecting them to quantitative pressures to reduce labour costs, which place labour at a lower value than capital, and at the same time to qualitative pressures to improve work skills as a result of the demand for innovation and greater quality on the products and services markets. These trends are beneficial for some workers (usually the most highly skilled) and harmful for others (usually the least skilled), and they challenge the accepted forms of national solidarity, including, of course, labour law.

The State is thus caught in a vice. On an international level “globalisation” is producing a legal system in which international competition law, which is supposed to embody the common interest of all different nations, is being forced upon any States focusing on local solidarities, which are acceptable only if they do not interfere with the free movement of goods and capital. Against this neo-liberal background competition law is operating as constitutional law on a global scale, and the international trade institutions are challenging the States for the role of “third party” guaranteeing trade. But unfortunately competition law is not constitutional law. The international economic system turns a blind eye to the social problems it creates, which ultimately become the responsibility of States whose scope for action has also shrunk. Internally States are facing growing demands for security, solidarity and decentralisation as the destabilising effects of globalisation are felt. Their response has often been to negotiate with or consult the representatives of different categories of interests. With such practices, which have been labelled neo-corporatist, defining what is the general interest is no longer the prerogative of the State, but becomes the product of a trade-off between individual interests. The State is thus no longer a third party, but a party engaged in “social dialogue”.

Neo-corporatism and neo-liberalism have combined in practice to make the State a mere tool which is subject to concepts which transcend it, such as the economy at international level or society at domestic level. Thus it is that States, which remain prime examples of entities subject to the law on the international stage, are losing some of their substance, or even most of it in the case of the weakest and poorest countries, which are caught between plans for structural adjustment forced upon them by international trade bodies and the grey economy which provides a living for many of their nationals, and which thereby become almost incidental, without any real grip on the economy or society proper.

However, it is unlikely that the space vacated by the retreat of the State will stay empty for long. The myth expounded in the west that society is being ground down to a dust made up of rational individuals maximising their interests ignores the basics of anthropology. Human reason is never a direct product of individual consciousness: it is the product of the institutions which allow each person to make sense of his own existence, give him a place in society and enable

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him to express his own talent. Professional identity – the performance of decent work – is therefore something very different from just an economic asset: it is the condition for the economy’s existence, it is its very nucleus. For if there is to be trade in products, if there is to be a market, there must first of all be workers producing and trading. In return, involvement in that trade ensures that professional identities are protected. “Economic laws” thus assume that a world exists where everyone is sure of his identity. Once that identity is no longer guaranteed by the State, people are forced to base it on something else: religious, ethnic, regional, tribal, sectarian references, etc. This leads to new demands for identity which destabilise States even more quickly and pave the way for violent conflict between references, of which there are many national and international examples today. This sort of refocusing of identity and the violence it causes undermine confidence, encourage protectionism and thus jeopardise the economic globalisation of which they are a product. This is why we need to ask what the new foundations for regulation might be in an economy and a world which are open to trade.

The new foundations for regulation

The developments I have just described show both that “regulation” cannot exist without “regulatory institutions”, and that the State has lost its monopoly on that role. This is changing the ways of thinking which allowed us to conceptualise the “third party” and to oppose it to individuals. In an institutional universe organized around the State the terms State and market, law and contract, public and private are all opposites. Today, each of those pairs is undergoing a shift which should help to define the “new regulations”. Where we used to oppose private and public we must also now oppose social and economic. Where we used to distinguish between law and contract we must now distinguish between principles and procedures. And lastly, where the State, vis-à-vis the market, combined power and authority, these two attributes, which were previously in the hands of a single major regulator, now need to be separated.

Social and economic

In the welfare state model private interests are subordinate to respect for the universal values expressed in the public domain. In other words, the public embodies the private. However, with the opening-up of frontiers and the subordination of States to a Community or global commercial order, it is now the private which embodies the public. National solidarities operating within States are thus becoming subordinate to the principles of free competition on which the international markets are founded. Social rights only have substance in respect of a given debtor, in other words at a local or national level, whereas economic rights (of ownership, contract, etc.) exercised on the markets acquire universal scope with globalisation. The only reference able to transcend nationality is therefore the market. This reference, which was the principal factor in the creation of the European Community, is supposedly intended to extend gradually to cover all products and services in every country. Harmony through
calculation, which is the principal factor in commercial trade, would then be able to encompass all of humanity. The old distinction between public and private is thus overtaken by the distinction between economic rights (“rights of …”) and social rights (“rights to …”). Like “private”, “social” is a local, individual factor logically subordinate to “economic”, which at international level is taking the prominent place previously occupied by “public” in domestic law. But this is all at the cost of a reversal in the values attributed to the private and the public: commercial law is regarded as global law *par excellence*, whereas public law is merely the expression of local solidarities. This approach is reflected in the case-law of the European Court of Justice, which defines an undertaking as “every entity engaged in an economic activity, regardless of its legal status and the way in which it is financed”\(^7\). The concept of economic activity thus becomes a dogmatic category, indicating any activity that can be carried out by a private entity, regardless of whether it is carried out in the private or public sector of a Member State\(^8\).

This definition prompted the European judge to analyse the solidarity operating within social security organizations as an exception to the principles of free competition, and one to be interpreted restrictively\(^9\). He likewise viewed collective bargaining agreements as a restriction on competition between undertakings which were signatories to them, only exempting them from the ban on economic agreements if their objectives were concerned with social policy\(^10\). The same reasoning was applied to public service monopolies. This monopoly is tolerated to the extent that it is necessary “to correct the imbalance between profitable sectors of activity and less profitable sectors, (which justifies) a limiting of the ability of private businesses to compete in sectors which are economically profitable”\(^11\).

The force of this idea (consistent with the thinking of utilitarianist philosophy which gave rise to economic ideology\(^12\)) stems from the fact that the market is the only institution which excludes all discriminating factors except money. It is the only one to operate the idea of universal formal equality. By contrast, all institutions built on the principle of solidarity put the collective interest before the individual interest, and the interest of group members before that of persons outside the group. This idea thus usefully reminds us that any legal methodol-


\(^8\) ECJ, judgment in *Höfner and Elser*, paras. 21 and 24.


ogy in respect of solidarity rests on a ranking of the interests involved. It is not convincing, however, in the radical separation it makes between economic rights (which may be universal) and social rights (which are by their nature individual). The distinction is purely ideological: any legal link must have both an economic and a social dimension\(^\text{13}\). So it must be seen for what it is: not a scientific given but a dogmatic construct to which new rights can be attached, not only at national level but also, and especially, at international level. The establishment of an international market causes social rights to be seen as necessary exceptions to the rules of competition law.

So one must be careful to distinguish between the scientific value of separating the economic from the social – which is zero – and the same value in terms of dogma – which is considerable. This distinction underlies the legal structures which have come about as a result of globalised markets. It is found not only in EU law but also in domestic law\(^\text{14}\) and international law\(^\text{15}\). And EU law shows that the consideration of social rights can counterbalance the rules of free competition, not only nationally but at a supranational level too. This is an extremely interesting way of building an international social order which will act as a counterweight to the economic order.

**Principles and procedure**

The concept of the State as having supreme power sees two levels of legislation, corresponding to two main types of rules: on the one hand the law which is deliberate and unilateral, reflecting the general interest, and on the other hand the contract, which is negotiated, bilateral and reflects individual interests. This clear distinction was first blurred by the invention in labour law of a “hybrid” of law and contract – the collective agreement. The welfare state, being unwilling or unable to enact detailed rules on employment relationships, allowed or encouraged this hybrid to develop, either outside the legal framework as such (the English solution) or as an alternative to legislative action (the Nordic solution), or again as a complement to the terms of the law (the French or German solution). But these systems do not undermine the legislator’s monopoly in defining what constitutes the general interest: whilst collective agreements go some way towards setting norms and standards, their purpose remains private in nature, limited to collective definition of the various obligations incumbent on

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\(^{13}\) The work relationship, for example, is indissolubly an economic and a social relationship. Markets are constituted legally in conditions which depend very much on “social” (national) factors.

\(^{14}\) In English law staff matters are regarded as a “non-commercial” issue which does not have to be taken into account when subcontractors are selected for a public service (cf. S. Deakin: Privatisation, enterprise restructuring and labour law in Britain, French translation published in Le travail en perspectives (coll. work), Paris, LGDJ 1998, 391-401.

\(^{15}\) The World Bank is required to ensure that sums from any type of loan are used with due attention to economic and yield factors and disregarding political influences or considerations or any other influences or considerations which are not economic in nature (cf. F. Maupain, “L’OIT devant le défi de la Mondialisation – de la réglementation à la régulation internationale du Travail?” (coll. work, not yet published).
the parties to an employment contract. Things were taken a step further when
governments, keen to establish the legitimacy of the law, insisted on prior
negotiations or consultations designed to prepare the substance of the law. This
practice of “negotiated law” did far more to obscure the distinction between law
and contract. In this case the purpose of negotiating is to legislate and the sole
purpose of the law is to give legal force to an agreement.

This trend of “contractualisation” was also encouraged by the dominance
of economic ideology. As early as the 19th century the great English jurist Henry
Summer Maine wrote “The bias indeed of most persons trained in political
economy is to consider the general truth on which their science reposes as
entitled to become universal, and, when they apply it as an art, their efforts are
ordinarily directed to enlarging the province of Contract and to curtail that of
Imperative Law, except so far as law is necessary to enforce the performance of
Contracts.”16 To say that the contract is universal or that the market is universal
boils down to more or less the same thing, because without a contract there is no
conceivable market, and where there is a contract there is negotiation, and so the
possibility of a deal and a market. Consequently the necessary corollary of a
globalised market economy would be a decline in positive law in favour of
contracts. So whilst it had not always been so, the contract would be on the way
to becoming a universal category, indicating that the western understanding of
man and society might be applied worldwide. This, at least, is the credo of
globalisation which celebrates at once the virtues of free trade and the contract,
seen as flexible, egalitarian and liberating, as opposed to the constraints of
governments and shortcomings of the law, which is seen as rigid, one-sided and
oppressive. Any law which is not the result of an agreement has thus become
suspect, and every effort is made to ensure that obligations are defined consen-
sually.

In fact, the vocabulary of contracts is spreading to all areas of human life,
including the public domain. And this trend affects labour law above all. A
feature common to all the developed nations over the last thirty years has been
that contracts are preferred to laws in the area of labour legislation. At EU level
this radical trend is reflected in the promotion of “social dialogue” in the build-
ing of European social law. This vague concept has brought together the two
political variants of contractualism: the right-wing variant which stresses the
individual contract of employment, and the leftist variant which places the
emphasis on the collective agreement. The “social dialogue” culminated in a
major institutional innovation in the Treaty of Amsterdam17. Building on the
terms of the Maastricht Agreement on social policy, this Treaty formalised the
idea that subsidiarity should apply in regulating the labour market, i.e. the law

16 H. Summer Maine: Ancient Law. Its Connection with the Early History of Society and Its
Relation to Modern Ideas, 1861, French translation Courcelle Seneuil, Paris, Durand & Pédone,
1874, p. 289.
17 Art. 138 (new numbering) of the EC Treaty.
18 On this “horizontal” dimension to the subsidiarity principle, see B. Bercusson, European
should take second place to collective bargaining\(^8\). Thus collective bargaining
totally replaces parliamentary debate as the expression of democracy, as the
European judge rightly observed\(^9\).

On closer examination, however, the current trend is more than a new ascen-
dancy of the contract over the law. What we are seeing is more a change which
affects them both. The law is relinquishing the job of ruling on substance, and is
instead concentrating on stating principles and laying down procedures. And
these procedures pass on to contracts the burden of the qualitative issues being
offloaded by the law, and in so doing profoundly alter their nature. Far from
relinquishing their role as an initiator, States are seeking to reaffirm it in new
ways. On the one hand they are still responsible for non-quantifiable common
assets which are not subject to price coordination (health, education environ-
ment); but on the other hand the economy and society have become so complex
that they can no longer manage these common assets themselves. Neocorporatist
methods borrowed to identify a way out of this dilemma are doomed to fail when
these common assets cannot be reduced to the product of bargaining amongst
interest groups. Thus the trend today is away from a State which manages social
matters and towards a State which acts as the guardian of solidarity. This redefi-
ing of the role of the State, and more generally of government, is apparent in two
ways. On the one hand the State no longer aspires to do everything itself. Instead
of playing a direct part in negotiations or consultations on the neocorporatist
model, it confines itself to laying down the procedures which must be followed
in these negotiations conducted by others. But, on the other hand, it defines the
general principles which these negotiations must help to implement. Thus the
State is both withdrawing, disengaging from the management of social matters,
and reaffirming, restoring its role as the guardian of common assets.

This form of regulation is increasingly successful and there are many
examples of it. In domestic policy there have been numerous labour law reforms
reflecting the will of the legislator, who sets a general objective or principle, and
that of collective bargaining which implements this principle or these objectives
(this has been the case in France with all the major labour laws adopted since
1986, from the abolition of government authorisation for redundancies to
adoption of the 35-hour week). Similar action has been taken at EU level with
the “Luxembourg process”, which sets “guidelines” for Member States’
employment policy and lays down a procedure requiring Member States and the
social partners to tailor these guidelines to specific national conditions. Council
Directive 94/45 of 22 September 1994 did the same with businesses, requiring
international undertakings to have a works council or a procedure for informing
and consulting workers. At international level the ILO did something similar,
adopting in 1998 a Declaration on Fundamental Principles and Rights at Work
which requires all Member States “to respect, to promote and to realise (these
principles) in good faith.”

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\(^8\) European Court of First Instance, judgment of 17 June 1998, Case T-135/96 (UEAPME),
Droit Social 1999, 53, commentary M.-A. Moreau, see § 89.
So these new forms of “regulation” in no way mean that the State goes back to a role of minimal intervention, quite simply leaving social affairs to the private sector. They express themselves rather in a policy of “government by objectives” which allows the social partners to choose the ways and means of attaining those objectives. The problem, if this policy is to succeed, is how to define objectives which are accepted by general consensus. One can involve the social partners in that process (as for example with the legislative consultations introduced by the Maastricht Agreement on social policy). One can also, and this is doubtless the most novel feature of these new forms of “regulation”, base the legitimacy of these objectives on the presumed expertise of specialists. This “expertise” is then institutionalised by the setting up of regulatory authorities which are independent of both State and social partners. But in that case the functions of power and authority held by the State alone tend to become separated.

**Power and authority**

In the west the distinction between power and authority goes back a long way. In Roman law, as we know, “potestas is the ability to act and auctoritas is the ability to dictate the actions of another person”20. Following the advent of Christianity this distinction informed the debate on the respective prerogatives of the Pope and the Emperor21. This debate was to some extent halted by the secularisation of the State, which combined power and authority, albeit at the cost of a separation of its legislative, executive and judicial powers. Thereafter the distinction between power and authority weakened and gave way to other contrasts – between State and nation, State and civil society, State and market – which fed the institutional debate. But it is resurfacing today with the issue of “regulation”, which produces the different functions of “operator” (who has the power to act) and “regulator” (who has authority over this power). This distinction rests on a simple idea: the welfare state has inherited the function of major market regulator, but it is also an economic player which can with impunity break the laws of the market or turn them to its advantage (as it can with other freedoms such as freedom of information). Where this risk of confusion exists it is thus appropriate to deprive the State of one or other of these functions (or both, in more radical versions of this thesis). The function of regulation will then be entrusted to an authority set up specially to that end.

The opening up of markets has thus been accompanied by a proliferation of regulatory authorities which are independent of State control22. At national level

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21 On this point cf. the famous letter sent in 494 to the Byzantine Emperor by Pope Gelasius, which distinguishes *auctoritas sacralis pontificum et regalis potestas* (see full text translated into French by G. Dagron in *Empereur et prêtre*, Paris, Gallimard, 1996, p. 310 ff.).

these authorities have prospered with the privatisation (or opening up to competition) of businesses and public services and the liberalisation of capital movements. Most of these authorities are specialised and are responsible for a specific product or service (electricity, telecommunications, television, the stock exchange, medicinal products, etc.). “Market” authorities are the most numerous, but authorities have also been set up to help regulate a number of public services (health, hospitals), to safeguard certain freedoms (data protection) or to explain government decisions on major social issues (ethical review committees). At international level there are also a number of authorities specialised in the regulation of a given service (aviation, for example), but most strikingly, independent authorities have also been created at this level with a general remit to regulate markets. The body with the longest and greatest experience of this is undoubtedly the European Commission, but the World Trade Organization was set up to pursue the same objective, on a wider stage but with more restricted powers.

The powers of regulatory authorities are as diverse as the areas they cover, but they have two features in common: they draw their legitimacy from the scientific or technical expertise of their members and they are held to be independent of both government and private operators. This independence is often questioned; the shadow of the State looms ever large (in the matter of appointments for example) and private lobbies are never far away. And the remit of authorities always goes beyond simple technical expertise, requiring them to make value judgements and to rule on disputes rather like a scientific, technical or economic judiciary. For both these reasons the tendency is to require these authorities to observe broad procedural principles as derived from the European Convention on Human Rights and Fundamental Freedoms. In other words, they are being directed back to the essence of legal methodology.

This re-emergence of “authorities” prompts us to remember the important question which in France gave rise to the essential concept of social law in the late 1930s. The lawyers who drafted this legislation had realised that social conflict cannot be resolved using ordinary judicial methods, whereby a dispute is measured against a previously defined rule (whether that rule is contained in a law or a legal precedent). Most of the time the whole point of social conflict is to get a new rule adopted. This is why these jurists had placed such faith in the

Continued note 22


23 See M.-A. Frison-Roche: Droit, finance, autorité, to be published shortly by PUF.

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creation of a social judiciary, which had considerable socio-economic powers and was able, by ruling on disputes, to build a body of social law which was genuinely geared to changes in the world of work and not to the relationship between economic or political forces. Paradoxically this idea is flourishing today in the economic rather than the social sphere. Thus there is an imbalance between an economic sphere, in which authorities predominate, and a social sphere in which there are none, with all the undesirable effects of a social versus economic conflict which that entails. The authorities responsible for markets do not see it as their job to address the social dimension of the problems they deal with. That means not that this dimension does not exist, but that there is no one to authorise States to invoke social considerations as a way of limiting the effects of competition law. It leads to decisions which can, at a single stroke of the pen, destroy the livelihood of entire societies, most notably the poorest.

There are two ways of escaping such follies. The first would be to “de-specialise” regulatory authorities and enable them to take equal account of the economic and social aspects of cases they are required to judge. The way here would be to have more broadly based authorities and specialist groups within these. But the example of this which we already have, the European Commission, points up the limitations of this solution: notwithstanding laudable efforts and considerable achievements, the Commission’s Directorate-General for Social Affairs has never had as much influence as the Directorate-General for Competition. The other way is to set up authorities with special responsibility for regulating the social dimension of markets. These authorities could rule on disputes where a State or a trade union believed that the application of competition law infringed fundamental social principles or, conversely, cases in which a State or a company thought that specific social legislation constituted an unfair barrier to free trade. There might also be a role for them in regulating the forces operating within the labour market and ensuring that a proper balance was maintained between those forces.

NO REGULATION WITHOUT A BALANCE OF FORCES

The old corporate structures were swept away by the Industrial Revolution, but as no lasting institutional vacuum can persist between the State and individuals, new players emerged to replace them on the legal stage. The large modern enterprise was the first focus of attention, with the introduction of legislation on commercial companies. In the area of labour law, the old journeyman guilds gave way to unions, for individual trades first, and later for whole industries. Hence the development of a collective plan negotiated jointly by labour and management, the existence of which is guaranteed by the ILO conventions on trade union freedom.

26 The dispute over bananas now before the WTO or the definition of (cocoa-free!) chocolate adopted by the European Union are good examples of this kind of decision which are more evocative of techno-crime than the exercise of authority.
Just as the welfare state is structured differently from one country to the next, collective labour relations too are treated differently in law from one country to the next. But notwithstanding this diversity, collective worker representation has always been modelled on the way in which the economic power of the employer is organized, since its aim has always been to maintain a balance of power with management. Consequently problems of action, representation and negotiation manifest themselves differently in labour law and in civil (or common) law. This difference may be summed up as follows: civil law takes the “players” (i.e. legal persons) as its starting point in defining the legal frameworks for their actions and negotiations (i.e. the law on representation and contracts). In dealing with the question of representation in the negotiation of a contract, for example, civil law will take as its initial given the existence of a person to be represented and will then decide how that person is to be represented and his interests defended. In collective labour relations the exact opposite obtains. Here one starts with the frameworks for action and collective bargaining (i.e. from a given labour structure) and then defines “players” (i.e. collective legal persons, with power to negotiate), and this definition of legally empowered representatives precedes and determines the identification of the groups represented. This is true firstly of the economic activity of employers: the first sense of the word “undertaking” describes the action of one who exercises his freedom to act, i.e. the action (under)taken, and only in a secondary and derived sense does it describe the legal organization which is the consequence of that action, i.e. the business or company formed. It is also true of collective action by the workforce, which has to tailor itself to the forms of economic activity engaged in by the employer: trade unions are primarily a means of collective action and they organise labour in the manner such action requires.

So in seeking to understand the factors which bring about change in collective labour relations one cannot begin at the obvious starting point of undertakings and trade unions and then study the new forms in which disputes or agreements arise. We have to do it the other way round, looking first at the new forms of economic activity and discovering what has caused the imbalance between economic and social forces, before we can decide how that balance might be restored.

Upsetting the balance between economic and social forces

*The big companies are no longer homogeneous work communities obeying the orders of a single head within the laws of a single State. They are adopting new structures and adapting to a new environment, while collective action by workers, however, is still locked in the past.*

New structures

The pyramid model of the large industrial firm with its integrated hierarchical structure covering the entire process of product manufacture was mirrored by the organization of all workers involved in that manufacture into industrial unions, eliminating professional identities based on trades. Whether or not the
firms were organized in sectors determined whether the industrial unions had their centre of gravity at sectoral or company level. The forms of worker representation necessarily mimicked the ways that capital dictated that work should be organized.

The ways in which work has been organized have undergone fundamental transformations over the last twenty years. Technical progress, the opening up of frontiers to international competition, the growth of knowledge and the division of labour have all had the same destabilising effects on businesses as on States. The difference between States and businesses has less to do with structure than with reference. The State takes qualitative values transcending the interests of capital as its reference; it is responsible for people’s destiny and it takes the long-term, lifetime view. A business’ reference is to quantitative, capital-based values; it is responsible for providing products or services and it takes the short-term view dictated by the markets. But like States, large firms are finding it impossible to take all decisions at the top, and are having to invent new ways of governing people. Like States, they are facing enormous problems in justifying their existence, which in their case have resulted in greater authority for shareholders and less power for managers. As with States, those in charge have had to redefine their role by fixing objectives but leaving details of their implementation to individual and collective bargaining not only with the workforce, but also with subcontractors whose numbers are burgeoning in the new network-based organization. It is even the case that independent authorities are found in companies, both in the financial field (market authorities; auditors) and in the product field (standards and certification agencies). The original meaning of the word “enterprise” (the act of undertaking) has returned, to the detriment of its derived meaning (institution resulting from that act). Hence the big company can no longer be construed as a homogeneous work community subordinated to its head and functioning under national law. It forms part of a network, i.e. a multi-centred structure with international ramifications and mobile borders, each element of which is both autonomous and required to serve the interests of the whole.

These developments call into question the traditional categories of labour law theory. This applies in the first instance to the concept of “subordination” (the boundary between directly employed and self-employed labour is becoming blurred)\(^27\), but it also applies to what is understood by “employer” (the point of entrepreneurial decision-making is fanning out into groups and networks), “branch of activity” (the refocusing of companies on their main business and the farming out of other activities mean that the collective status is being geared towards the main business, thus restricting the coverage of branch agreements), “employment” (the status of the workforce is becoming fragmented, with the decentralisation of collective bargaining and the development of peripheral employment: marginal forms of employment, part-time working etc), and

\(^{27}\) See *Les nouveaux visages de la subordination*, *Droit Social* 2000, 131-145
“collective agreement” (the meaning of which is changing as collective bargaining functions are extended).

New environment
These changes in company structure are compounded by an upheaval in the company environment. The opening up of markets to international competition is having ambivalent effects on most. On the one hand, it emancipates companies from the powers of States. The mobility of capital, goods and people, coupled with the resources of transport and information technology, also enables them to place States in a position of economic competition by choosing to establish themselves on the territory of those which impose the least constraints on them, while taking advantage of the resources of those which offer them the best material and intellectual infrastructure. Supported in this respect by the market authorities, they are even able to make States pander to their appetites and oblige governments to dismantle laws which would restrict their profitability. On the other hand, “globalisation” makes companies increasingly vulnerable. The free movement of goods leads to the disappearance of their captive markets. The free movement of capital exposes them to speculative takeovers and to the volatility of the capital it releases. The free circulation of information compounds these risks by exposing them to the critical gaze of consumers, shareholders and environmental pressure groups.

Such upheavals have led the biggest companies to arm themselves against these new risks. Vis-à-vis their shareholders they have adopted a policy of openness by subjecting themselves to the rules of corporate governance and to the demands of so-called “value creation” (albeit at the expense of the company’s “human resources”). Vis-à-vis consumers they have improved the ways in which they control public opinion by gaining a hold on the major media, either directly (financial control) or indirectly (financing of advertising). Finally they have learned how to curry favour with politicians and intellectuals by winning them over to the company’s values, or even by quite simply buying them, as witnessed by the countless corruption scandals which are universally tarnishing public life.

These profound changes in the ways in which companies operate economically to a large extent render the institutional framework of social dialogue inoperable. This was essentially conceived as a face-to-face between employers and trade unions under the watchful eye of the State. The mechanisms of representation, negotiation and collective action are entirely oblivious to anything that
Panel 4: Methods, actors and levels of political actions

has to do with the products of labour, their intended recipients and public information. The balance of forces between the economic action of companies and the collective action of workers, which is necessary for “social regulation”, is thus disrupted, and it is social regulation which loses out. One of the great tasks facing labour lawyers in years to come will be to invent ways of restoring that balance, many possibilities for which are already available in practice.

Possibilities for returning to a balance of economic and social forces

The great challenge facing trade unionism today is how to adapt to new forms of corporate organization. It too will probably not be able to escape the network approach. The pyramid structure of mass trade unionism is likely to be replaced by an approach which coordinates various types of representative units located as near as possible to the genuine centres of corporate decision-making (not just businesses and branches any more, but also international centres, groups, company networks, districts, trades, etc). This development is essential if the unions are to cope with the expansion and fragmentation of the interests that they represent: the interests not just of skilled male workers employed by large companies in developed countries, but also those of workers in insecure or part-time jobs, women, the unemployed, pensioners, those employed by sub-contractors, those who are partially self-employed, etc. It is also essential if the unions are to cope with the expansion of the functions of collective bargaining, which no longer merely covers wage levels and working hours, but also addresses issues of general interest with the development of negotiations on jobs, the organization of working hours and the development of labour law (legislative bargaining).

Thus the whole complex of law governing collective labour relations needs to be reconsidered. Negotiation, representation and collective action form a three-point structure on which social dialogue must be based. Indeed no collective bargaining is conceivable without the involvement of legal persons appointed to represent the interests concerned and endowed with the resources needed to have an effective influence on the terms of the negotiations. These three dimensions of collective relations are closely bound up with one another and are all affected by the new organization of labour in the world. The key element here is probably not so much to introduce “new regulations” than to adapt the legislation governing collective labour relations to take account of the new forms of corporate organization. Various steps have already been taken in this direction, in particular concerning worker representation in groups of enterprises. There are already tentative openings allowing collective bargaining to break out of the straitjacket of branches and companies and to develop in new fields (districts, networks, international level). Nothing, or hardly anything, has been done as yet on the collective action front: the right to strike should be re-examined, as it too can no longer continue to be viewed as a binary interaction between an employer and his employees.
However, as I have been asked to talk about “new forms of regulation”, I will leave these key questions aside in order to focus more broadly on what new social forces might be capable of restoring a minimum balance between economic rights and social rights at international level. According to Manuel Castells, the only counteracting forces able to play a role in the new world economic order are identity movements alien to the principles of the organization of society in networks. If this hypothesis, which is strongly supported by the observation of current events, is correct, any hope of regulating this globalised order will no doubt have to be abandoned, and we shall have to wait for major political, social or ecological disasters to end the single-party dominance of free trade over the institutions of world commerce. Even so it is possible that there are ways, albeit very limited ones, of restoring a balance of forces which is based on the very reasoning behind the new economic organization. In order to gain access to them we would have to extend the scope for action and collective representation to areas currently out-of-bounds to them, to bring them out of the closed arena in which they are locked by an institutional conception of undertakings which no longer corresponds to present-day forms of economic action. Two types of method can be employed here. The first involves using the new freedoms inherent in globalisation: the freedom of choice enjoyed by consumers and investors and freedom of information offer ways to influence the social policy of business-owners. The second involves the reverse: restraining global competition law by emphasising the distinction between the economic and social fields and by strengthening the authority of institutions concerned with social issues. In both cases the objective is the same, however: giving workers back the ability to take collective action in fields which currently lie abandoned, without any sort of counterbalance for firms’ economic initiatives. Many routes could be explored in this direction. I will confine my remarks to three fields which appear particularly promising for this revitalisation of collective action: information, consumption and finance.

Targeting information

The new information technologies and control of the media have become powerful instruments in the hands of companies. These new powers call for counter-powers, both within and outside firms.

Within companies the gap has widened between the information resources available to employers, thanks to new information technology (intranet networks), and those which the law affords to the workers’ representatives, who remain penned inside the legal confines of the company and have to rely on traditional forms of communication (handbills, notice boards). Use by workers of information technology outside their employer’s control has already given rise

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31 I draw this very tendentious characterisation of the political nature of these institutions from Jeff Faux: Toward a Global “New Deal”, paper for the conference on Work and Social Citizenship in a Global Economy, WAGEnet, Univ of Wisconsin-Madison, November 2000.
to litigation. It should become accepted that, wherever employers use computerised networks to convey information to their employees, the employees’ representatives should also have access to them in accordance with arrangements to be laid down by law or agreement. The same network approach should also apply when it comes to the economic information available to the staff representatives. It must be possible for contacts to be established between the employees of the contracting company and those of its subcontractors.

Outside the company workers’ freedom of expression concerning their work needs to be spelt out in detail. The information which the trade unions give the public must be able to cover not only working conditions, but also the company’s products. The radical separation maintained in the industrial world between labour and the products of labour is no longer justified today. In a “tertiarised” economy, work is concerned more with tokens than with things. Hence the activity of the worker cannot be dissociated from the product of that activity and consideration of the product necessarily affects the employment relationship.

Legal precedent has begun to draw certain consequences from this concerning the rights of workers’ representatives to information and consultation. Moreover, work in the “post-industrial” era is no longer concerned solely with what in civil law are called “generic objects” (chose de genre, Article 1246 of the Civil Code), i.e. mass-produced articles which are interchangeable and independent of the skill of the workers. It gives increasing prominence to “specific items” (corps certains), i.e. quality products for which the company must provide an assurance of safety and traceability. This tends to mean that the link is restored between the professional skills of the worker and the qualities of the product, a link which Taylorism had sought to break. With these developments, products are once again being considered in the contractual domain, justifying the fact that counterbalances have been introduced to the monopoly which companies enjoyed on the information provided on their own products. The need for this has been recognised in consumer law, which gives consumers the right to information. For its part, Article XX of GATT (1994) allows any member of the WTO to take measures necessary to prevent the import of “articles manufactured in prisons” and for the “protection of the health or life of persons” or for the “conservation of non-renewable natural resources”. Leaving aside the

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12 Soc. 28 Nov. 2000, Semaine soc. of 11 Dec. 2000, to be published in Bulletin civil (obligation to consult the works council about the launch of a new insurance product which is bound to affect the way in which workers are paid).


debate on the social clause in international trade agreements, the principle that the public has the right to information on the social and environmental dimensions of products seems to be indisputable, and indeed undisputed, today.

This right presupposes that the trade unions also have a right to inform the public about these dimensions\(^3^5\). Various initiatives have been taken on these lines by associations or unions posting information on the internet about the social policy of the big companies, particularly their relations with subcontractors in developing countries\(^3^6\). The companies in question have reacted by issuing codes of conduct and social labels, the effectiveness and sincerity of which are open to question in the absence of reliable certification procedures covering their content and application along the lines of those that apply for ISO standards. This is why some people are calling for the introduction of a market in the social certification of good practice, the idea of which is to draw both certifying bodies and certified firms into a virtuous circle\(^3^7\). Notwithstanding the value of these initiatives and proposals, it is reasonable to argue that two conditions must be met without which public information will be vulnerable to all kinds of manipulation. The first, which has already been mentioned, is the existence at international level of proper social regulation authorities which would guarantee the validity of the information disseminated. The second is to give trade unions and consumers’ associations the financial resources to provide social information for the public. Funds could be set up for this purpose fed by a levy consisting of a percentage of firms’ advertising budgets. Without this kind of financing the public will never hear the other side of the argument and will only ever receive the one-sided propaganda of the companies dominating the markets.

**Targeting demand**

The scope for States to take measures restricting freedom of competition on social grounds was mentioned briefly above (section I-B-3). This also presupposes the involvement of social regulation authorities able to ensure that such measures are likely to promote the equalisation of working conditions throughout the world and do not serve to protect the richest countries which would prefer to close their borders to both workers and products from the poorest countries. It is worth reflecting here that the ILO is particularly well placed to become that authority. Such an authority could be called on to intervene, either directly or by way of a complaint to the market economic authorities (for example, the WTO’s Dispute Settlement Body).

On the subject of trade union action in this field, it is appropriate to go back to the origins of the right to take collective action. This was originally an immunity granted to trade unions which took collective action against an under-


\(^3^7\) C. Sabel, D. O’Rourke & A. Fung, *op. cit.*
taking in the legitimate pursuit of social protection. This immunity resulted in France from the abolition of the offence of “coalition” in 1864 and in the USA from the Hunt ruling (Mass; 1842) and the Clayton Act (1914). The transition from coalition to strike reflected the binary structure (employer/employees; capital/labour) imposed on labour law by the industrial model, a structure which does not allow for any consideration of products or consumers or of disputes between dominant and subordinate employers. But in the new world economic order, pre-industrial forms of collective action are making a come-back, and with them the quest for an alliance of workers and consumers to target the Achilles heel of the big companies: sensitivity to demand for their products. The expression *par excellence* of this alliance is the boycott. This is a formidable weapon which is making its reappearance in the current social arena. Last month, for example, the threat of a boycott was enough for Coca-Cola, in the dock for many months over racial discrimination against black workers, to decide in favour of a transaction which will cost it $192.5 million\(^{38}\). In France the mere threat of a boycott of its products led Total to give a public undertaking to contribute to repairing the damage caused by the *Erika* disaster; an effect out of all proportion to what would have been the consequences if the seamen aboard the vessel, recruited under a social flag of convenience and screened from the main contractor by a chain of subcontractors, had gone on strike.

Recognition of the right to boycott and its incorporation into international legislation is thus firmly on the agenda. There is no doubt as to its legal status as far as the rules of free trade are concerned: within the meaning of Article 85 of the Treaty of Rome it counts among the “concerted practices ... which have as their object or effect the prevention, restriction or distortion of competition”. The French courts even subject it to harsher treatment than an agreement between undertakings or the abuse of a dominant position, since they do not even require proof that the call for a boycott has had a significant effect to declare it unlawful\(^ {39}\). However, this prohibition should not be applicable to action taken by workers’ trade unions\(^ {40}\). In a recent case the Paris Court had referred to it a ruling of the Competition Council against unions which had taken concerted action to prevent a firm from engaging the services of a printer not covered by the collective agreement. The Court pointed out that the rules of competition law only applied to economic agents pursuing an activity on the market in question, and ruled that the Competition Council was not qualified to pronounce on the action of the trade unions, which were not operators on product markets\(^ {41}\). We can see here that the legal concept of “economic agent” allows an area to be defined which falls outside the purview of competition law and the jurisdiction of the

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economic market authorities. This does not mean that any form of concerted action must be deemed lawful, but it does mean that the lawfulness of such forms of action is the principle and that measures relating to them at international level must be the prerogative of the social market authorities.

**Targeting finance**

I mention this third field of collective action by workers merely for the record. Like consumers, shareholders can also be sensitive to information on the social policy of companies. Here too campaigns have been launched, particularly on the Internet, to promote “ethical investment opportunities”\(^{42}\). The development of a savings scheme or of wage funds managed by the workers’ representatives could be one of the points considered in the social strategies of firms. However, this is a field where specific national concerns feature very prominently. These sorts of ideas have aroused most interest in the English-speaking world. There is a whole body of British and American doctrine promoting a much wider view of the interests which must be taken into account in the running of companies\(^{43}\). Alongside the interests of the shareholders, those of other “stakeholders” in the business should also be taken into account, the first in line being the workers. Noting the devastating social consequences of strategies based solely on profit in a deregulated global environment\(^{44}\), this interpretation of corporate governance keeps the instruments of such strategies, but uses them for the benefit of all the stakeholders in the company (workers, consumers, etc). This means, for example, that workers who pay into a pension fund may demand that the fund should require firms in which it holds shares to take account of social and not just financial requirements\(^{45}\). In the same way, the introduction of non-executive directors could serve to represent the interests of the workers or consumers as well as those of the shareholders alone.

These ideas do not make much headway in countries like France, which have never really succeeded in developing a popular share-owning culture. They are incompatible with the German concept of *Mitbestimmung*, which is based upon a clear division of roles between the shareholders’ representatives and those of the workforce and has no place for the “unnatural” phenomenon of the worker-shareholder. More generally finance as a weapon is linked to the development of pension funds and cannot therefore play a major role in countries which remain attached to pensions based on allocation.


\(^{44}\) See Ch. Craypo : The impact of Changing Corporate Strategies on Communities, Unions and Workers in The United States of America, in S.Deakin & A.Hughes, *op. cit.* p.10 f.

THE THREATS TO JOB SECURITY
HANS BORSTLAP

There is a tendency today to blame flexibility and globalization for the growing insecurity of jobs. Such a description does not seem very helpful, as it might trigger a search for solutions to this job insecurity by means of restricting, or even rejecting flexibility and globalization. In my view, these methods do not serve our purpose. The restoration of job security of the traditional model is an unfeasible project in the globalizing economies of today. The problem is not flexibility and globalization, but instead our inability to adapt our social policies to these new challenges. We might even argue that Europe needs more flexibility and globalization, considering its current demographic status. Sooner than we might realize Europe will be confronted with a shortage of labour. In the Netherlands this is already the situation, with 3 per cent unemployment and high tensions on the labour market.

Europe is also facing a rapidly ageing population, placing a considerable strain upon the current pensions system. At present, the growth in our degree of participation is slowing down, and the number of young people entering the labour market is decreasing. What we need is a more productive European economic performance, befitting of the European role in the world economy. We are leaving behind a period with an emphasis on bulk-products, and entering the highly productive, knowledge and services-based economy. In this perspective, accelerated globalization and flexibility can help us accommodate future demands in our welfare state. We are better off in embracing the accelerating flexibility and globalization, rather than fighting against it. But the question is still how the working population is to be prepared to be more responsive to an economy, which has to adjust to globalization and flexibility. This is a topic further explored by Alain Supiot: how, exactly, are we to react to this ongoing trend of technological and economic transformation?

First of all: the well-known trade off discussion between social and economic factors, or between public regulation and free market forces, is no longer very helpful. We need strong public regulations at the international level of the European Community and the WTO. This plea is not opposed to the need for flexibility and globalization, but is the prerequisite for it. Without appropriate regulations, free competition will lack the essential rules to realize lasting and prosperous economic development.
In these new public regulations, a renewed, modernized social policy has to be developed as a productive factor in a knowledge based, highly-productive European economy. What is required for a lasting economic development, with a high degree of flexibility and globalization, is an investment programme and renewed regulation in order to achieve new job security. There is also a need for a new social policy, identifying new forms of human dignity in the coming decades. At the same time, we have to get rid of old forms of social security, which give only a false, and often romantic, feeling of security with reference to the past.

Some examples of this investment and renewed public regulations programme:

In the new economy, job security can no longer be the ultimate goal. If workers are well trained, their skills regularly updated, the loss of employment need not be disastrous. The new security thus consists in being well trained. I would argue that a legal obligation of life-long learning for employer and employee must be considered seriously. More than 100 years ago, in most European countries, our grandparents accepted a legal obligation to send their children to school. In those years further schooling and training after 16/17 years of age was not necessary in order to get a lifelong job.

The same argument applies today to a more obligatory approach to lifelong learning for the working population. In order to avoid unemployment, workers must be well trained and continuously updated. The lack of young people on the European labour market and the new trend towards a highly skilled workforce, mean there is an absolute necessity of permanent training. It is to be kept in mind that 80 per cent of knowledge relevant today will be useless within 10 years time. Knowledge is ageing very fast. However, the introduction of compulsory training creates a need for new public regulation. At the same time, the too heavy dismissal regulations might be revised, as these regulations might hurt a growing number of jobs in a more flexible and globalizing economy.

Part-time jobs must have the same rights as full-time jobs, proportionately, of course, to the number of hours of that part-time job. Part-time jobs have, in the Netherlands, a legally-based equal position. In our country these part-time jobs might become the norm for the future. For men and women alike, full-time jobs of today will become an exception.

A last element is the need for a more promising public investment and well-organized, efficient public employment service in order to facilitate the flexibility in various sectors of the labour market, something belonging to the responsibilities of the government. In Europe, high-skilled, high-productive economic development needs a new public investment programme focused on education, health care, public transport, and environmental issues. Thus flexibility and globalization in our economic development does not imply a weak government, withdrawing from the economy, but rather the opposite: it implies a strong government, but strong on the right issues.

Governments must discuss the programme of investment and renewed regulations with social partners. The Dutch experience shows that this debate
could be successful in order to obtain the commitment of social partners for more flexibility and a new job security.

To sum up: The problem in our welfare states is not the flexibility and globalization trend.

Our problem is instead our inability to modernize our social policy in order to cope with accelerating flexibility and globalization. These forces should be embraced in the light of the need for a much higher productivity of the European economy, securing its position in the world economy in spite of the growing lack of workers, and the growing number of the elderly claiming pensions.

In the coming years, more than ever, a modernized social policy has to function as a productive economic factor.

We should not repeat the dated trade off between social and economic factors, nor between government rules and free market competition. We need both; but in an appropriate composition. We need a stronger international cooperating government focused on obligatory permanent training; legal rights for decent part-time jobs, an effective public employment service; a new public investment programme in education, health care, public transportation, and environmental protection.

If the European Community endorses such a programme, it stands in the best tradition of European social policy, which has to be reconciled with economic policy, as in the last century. But only on the condition that we identify at the right time the right dilemmas.

If so, I am sure we will be able to compete with every region in the world, and economic performance might be better than elsewhere, because of this ability to cope with flexibility and globalization. The ability to cope with flexibility and globalization should be seen as our mission, not our problem.
I have chosen three features of the changes that are taking place in work and employment, and I will use these as the basis for examining what regulations might be introduced and at what level.

The three features are: job insecurity, even if this is more relative than we might think, and even though it is sometimes also work insecurity rather than job insecurity; flexibility in all of forms; and the increase in permanent risks affecting workers or consumers, or other aspects of being a worker.

I would like to stress one point, and that is that flexibility, and even in certain respects insecurity and the increase in permanent risks, should not in my view be interpreted as resulting solely from the demands made by employers, businesses or liberal thinking. This would be a serious mistake, and it seems to me that the need for flexibility and rapid change that we can see today in the economy, in work and in employment, also has something to do with our own demands. Each of us is a worker, a user, a consumer, an Internet user, all at the same time, and each of us wants things that mean that people have to work on Saturdays, Sundays or at night. It is in the context of all this that we have to lay down rules.

What type of regulation is needed, and at what level? Let me list five characteristics, though there are others.

(1) Regulations and social negotiations should be at grass-roots level. This may seem paradoxical when we have just been talking about globalization and the need to regulate at global level, but workers also expect rules to be fixed as near as possible to where they are working. In the case of a number of issues affecting daily life, work, working time, skills, career management and organization, social negotiations at decentralized level are urgently needed. This was what we found in our Europe-wide studies on flexibility negotiation, and it is very much in line with other research. Studies carried out by the IRES also show greater decentralization in negotiation.

(2) Decentralization is not just the result of deregulation at the request of employers and bosses. It is also what workers themselves have called for. Such regulations need to be as close to the workers as possible, and linked to the level at which economic events occur. Company structures change very rapidly, with mergers, takeovers, restructuring, reorganization, outsourcing, etc. Negotiations,
the social partners and the way in which firms are organized and their workers are given a say and their representation is organized are often out of touch. Let me give you a specific example of a well-known company, Total Fina Elf, a monster that was the result of two enormous mergers. It will take about two years before the social partners in this group can organize themselves in a manner consistent with the size of the company. And then there might be another merger and the situation will change again.

On this point, the way in which the trade union organizations organize themselves internally and operate is still more or less in line with how businesses organized themselves 30 years ago. Most trade unions have not yet made the transition from pyramid organization to organization in networks.

(3) Should these regulations be statutory or devised by negotiation between the partners involved, whoever they may be? In line with what I said under the first point, I would naturally tend to insist on regulation by negotiation, precisely in order to obtain proximity to the grass-roots and to make workers feel involved in the company, taking account the major differences in Europe between the various national traditions and structures in industrial relations.

(4) As Alain Supiot also said, the traditional social regulations should be updated to involve new players. Let me give you a specific example. Some of our teams are currently working in Toulouse on the following problem: EADS is designing and manufacturing the new Airbus 380, and a lot of jobs could be created in the region, giving all sorts of people a real push forward. What is happening today? The main firm is laying off engineers, technicians and their own sub-contractors’ staff. How can a situation like this be regulated? It will involve the constructor, EADS, the sub-contractors and their representatives, the workers’ trade unions, the Regional Council and the towns concerned, in other words a whole group of partners. It is among them that the ground rules will have to be laid down and they will have to be able to coordinate to ensure that everyone, including those who do not have a job in the region but hope to find one, is involved. The negotiations will involve new players at regional or local level.

(5) Regulations with new players involve new subjects. There are many of these, but I would like to emphasize one that was mentioned yesterday, by Bernard Gazier in particular. It is becoming increasingly important to be able to find rules, approaches and ways of thinking which are not geared towards individuals or ‘the people’, as they say in official employment policy language, but towards careers and transitions. We do not need to protect workers within the worker-employer relationship against terrible things that might happen to them, but we need to enable them to acquire skills, rights to training and recognition for the skills they have acquired in order to make their future careers more secure.

To sum up, we do indeed need an institutional element at national level and even at global level, but we should not make the mistake of thinking that this is enough: we also need regulations at local level.
What makes a new economy different from an old economy with respect to the impacts on working people, in particular, in the land of the future, Silicon Valley? What do these differences mean concretely for the next generation of labour organizations? What are the ways in which we begin to replace the role of the state as we try, once again, to bridge our economic and political values?

I think it is important when we talk about the changing borders of the economy, that we talk not only about national borders that have given way to an international economy, but also about borders that are both international and local as well. In other words, while we see that capital roams the globe freely and can move from country to country, at the same time, the economy is rooting itself in regions worldwide. This is an important point for thinking about the next generation of our organizations, both employer organizations as well as the public sector.

The second element that I think is the hallmark of the new economy and that is often missed when people talk about the new economy is the way in which the firm is restructuring itself in the production process. I think too often people talk about the new economy as though it were only involving new products and new technologies, but that is not the point. The point is that the firm has begun to restructure itself in dramatic ways that have a huge impact on working people. As we know, no longer do we have vertically integrated silos of production where all the functions of a firm are performed under one roof. Instead we see networks of firms that create an enterprise, usually networked at the regional level. This is a very important point. It has been done not just in the context of saving money for the employer but also to externalize any costs that are not core to the firm’s ability to compete on the basis of innovation.

Lastly, both in the USA and elsewhere, notions of justice have changed dramatically since the Second World War when we built a social contract that was based, not only on a different industrial model, but also on a different model around social justice.

I think it is those three points, the shifting borders, the restructuring of the firm and changing notions of justice that really do create a good framework for analysis. What does that mean for working families?

Looking at the land of the future, in Silicon Valley, we know that what is taking place there is not an anomaly. We know that increasingly firms depend on
constant innovation and rapid development of new products for commercial markets in order to beat their competitors. In the words of Intel’s Andy Grove, “only the paranoid survive”. This is a significant point because paranoia has not always been an American mainstream value. That is an important point because it speaks to the fact that this is the pace at which these industries need to operate to be successful. Moore’s law states that the power of integrated circuits doubles every 18 months. I think that illustrates an important qualitative distinction between the old and the new economy, and the fact that competition through innovation has enormous implications for working people. It is in a large part what is fuelling the growth of non-standard work, not because it is cheaper but because of the need for flexibility to purchase specialized skills and to expand and contract workforces based on volatility in the market. This is an important reason for redefining the ways in which people work.

The second point is the primacy of intellectual capital. In this industry, it is no longer the strength and dexterity of your hands and the strength in your back that necessarily help you enter the economic mainstream of the economy.

Thirdly, I want to make a metaphorical point about the hourglass nature of the new economy. We have done a lot of work looking at how income is being distributed and how prosperity is being shared in the heart of Silicon Valley and other similar regions. If you look at California’s own job projections as well as its education projections over the next 15 years, both in terms of the skills and the education that will be needed, 10 of the 20 fastest growing occupations in the State of California will pay less than $10 per hour. We are not just an economy of engineers and technical positions, we are also an economy of waitresses and janitors and low-wage service sector people.

If you look at the employment projections between now and the year 2015, according to California’s Economic Development Department, 39 per cent of the jobs that will be created over the period will require only a few hours of on-the-job training, 25 per cent or more will require a Bachelor’s degree or higher, and very little in between. These numbers are nice because they really do demonstrate the hour-glass nature of the economy: as firms externalize any function that is not core to innovation, we are left with two kinds of jobs - high skilled and high paid jobs and low-wage service sector jobs with very little in between.

What does this mean for the role of the next generation of labour market organizations? Labour organizations have always been responsible for the way capital is created. We did not create industrial unions because we thought that was the best way to deliver representation for people. We did it to contest for influence, given that the economy had shifted and was based on mass production. Just as in the past, as labour organizations have had to restructure in the context of how the economy has restructured, so too must we do that today. I think this is a serious point because we are really only about 40 per cent of the way through this industrial revolution. We have not even hit the halfway mark. Technologies like IT and biotechnology are just beginning to emerge, as other kinds of emerging technologies are coming on line, and I think that there are enormous social and political implications for these technologies and the role of
unions is key. But I will be the first, as a trade unionist, to say that our organizations are not prepared to be relevant actors in the context of the restructured economy.

There are two major ways to focus our work. This is something on which I have spent the last five years, and on which I will probably spend the next 20. Labour unions need to think about themselves in two particular ways: one, as labour market institutions, and two, as social and political actors. In the context of labour market institutions, they must see themselves as playing a coordinating role in the sector, a coordinating role in particular occupations, and seeing themselves as incredible value-added players in those particular sectors. For example, when I say a coordinating role, I mean coordination among the small and medium sized firms within an occupation or within an industry. Playing this role means coordinating all the training players, the community-based organizations, community colleges, and all the different organizations that have an impact on that particular sector. Labour must become the coordinating entity as it moves people from job to job.

Secondly, labour must own the supply side of training in the regional economy. That is the way we will control the supply of labour in these economies—by virtually controlling the supply chain of training. It is important because none of these small to medium companies on their own can afford nor have the incentive to train people given that median job tenure in California is only three years. Therefore being able to coordinate and shift costs across the firm becomes an extremely strategic role for labour long term.

Labour must become proficient at being able to broker the supply and demand of labour within a labour market. Yet I am suggesting nothing different from the ways in which a temporary agency functions. Temporary agencies were created to fill an important niche that client firms needed but are not filling, the niche that the employee side needs. Thus, we have determined that marrying training with job development and placement is an absolute critical core capacity unions of the future must have.

In the 1930s unions in the United States were created to fulfil an important goal, largely, to create a consumer class. But it was a goal that neither government nor industry could fulfil on its own. I believe, very much in the same spirit, that the next generation of employers’ organizations will fulfil a role that neither government nor industry can fulfil on its own: to create some entity that allows people to connect on a permanent basis to their place of work—in other words, organizations that build occupational identities and build connections between employees and the job. The work systems in these firms absolutely depend on an environment of cooperation and trust. Cooperation and trust are rooted in notions of reliance, yet, when you have to, for example, contract your workforce because of pressures on the market—not because you are necessarily a bad guy or a bad girl but these are the forces of the market, you cannot expect that your employees will be more loyal to you than to another company, or to a union.

Unions will play a very important role if we can just get it together. I do not say to set forth an immediate task, but rather to recognize it as a challenge for
the long haul. Unions will play a very important role in being able to negotiate
tensions, as industry will need a significant partner. On the question of what is
labour’s role as social and political actors - certainly much more than what we
are doing now. Labour builds lots of political capital and we do not leverage it
for anything useful. I think we have to think about the ways in which the labour
movement, not just here but across the world, leverages its political influence. I
like to think of it as a continuum of political outcomes. Obviously, the first one
is simply meeting our immediate institutional interest but it should not stop
there. In fact, if we stop there we are not building our movement.

The second political outcome is that we have got to figure out ways to build
our union movement through political influence. There are enormous legal
impediments in the United States to even being able to function in that capacity.
Without getting into a legal conversation, I will provide one example: commu-
nities of interest for purposes of bargaining collectively were defined six years
ago. This definition presupposes that a group of workers are all housed under
one roof working for the same employer. However, we know that is simply not
how people go to work. We know that I may go to work under one roof, sitting
next to somebody who is employed through some kind of intermediary institu-
tion. Although we are all under the same roof, we have multiple employers.
People may be working for the same employer and be spread out across the
world. Therefore, redefining what constitutes legitimate communities of interest
for the purpose of bargaining collectively, whether we work individually or we
work under one roof, is an important reform. From the United States’ perspec-
tive, we need a massive overhaul of our labour law if we are going to be able to
reform ourselves in the way that I have talked about.

Let me say a couple of things on the question of labour’s political interest.
It is meeting our political institutional needs, it is using politics to develop our
union movement, and it is, thirdly, leading the social movement for change.

This whole problem that we are struggling with is characterized by the fact
that we have extended our economic borders without co-extending our political
borders. It is an enormous problem for all of us and it is unchartered terrain and
territory. I am not of the belief that there will be some international regulatory
order, nor some international regulatory body of law any time soon. However,
the idea of the hybrid approach [of marrying contractual obligations so that you
create a parity of power between interests and make this a condition of our trade
agreements that make a parity of power between the major interest for purposes
of negotiating your own rights and responsibilities] is not only politically viable
but also consistent. It is viable because it does not depend on a shared sense of
political values across multiple nations, and, it is incredibly consistent with the
needs of the new economy, in which new economies take root more at the
regional level, negotiating particularized agreements at the regional level
between parties. It becomes extremely functional, not just for employees but for
employers. So I think that the point about what replaces the role of the state is
very relevant for further discussion.
**SOCIAL INSTITUTIONS FOR CHANGE AND SECURITY**

**ALLAN LARSSON**

**Introduction**

The theme of the fourth Round Table was “Methods, actors and levels of political action”. It was based on an excellent paper by Professor Alain Supiot: “Towards an international social order”.

In his discussion on “new forms of social regulation” he examined the two conditions required for the very existence of regulation:

- no regulation without a regulator
- no regulation without a balance of power

He underlined the need for a new power balance and pointed to three fields for the revitalization of collective action: information, consumption (for example, consumer boycotts) and finance.

Three commentators gave complementary views on the theme, Amy Dean, USA, Danielle Kaisergruber, France and Hans Borstlap, the Netherlands. The presentation and the comments were followed by a rich and lively debate, covering a great number of issues.

I would like to summarize the debate of this Round Table:

- by highlighting some common ground in the debate about the realities of working life today;
- by identifying common denominators that can serve as a message from this Round Table; and
- finally by outlining some ideas for the ILO to reflect on, in the effort to strengthen the social dimension in the global economy, in the new economy and in the more traditional forms of economy.

**The starting point: change and stability**

The starting point for the debate was a recognition of the realities of working life today in Europe. These realities were expressed in a distinct way by two participants. First, by Patricia O’Donovan, who reminded us that “everything has changed in a workplace in the last 10 years”. Secondly, by Robert Taylor, who drew our attention to the fact that we have had a high degree of stability in the institutions of work, in spite of the changes in workplaces. Permanent jobs are...
almost as frequent as they were 10 years ago and the job tenures are very much the same, in spite of structural changes in the economy.

One conclusion based on these facts is that the European Social Model, in its many different forms, has served both people and the economy well. On the one hand, it has made changes in the economy possible, on the other, it has offered workers and societies stability and security.

The main message: reform the institutions and modernize working life

The main message in the paper by Professor Supiot, by the commentators and the participants in the debate, was the need for reform and modernization of working life – reform of the labour organizations at local level, reform of social policies at national level, reform of the global policies and institutions. The common purpose for these reforms is to bring about a better balance between economic and social conditions.

Reform at the local level

We have very different institutional structures in our countries in terms of labour law, labour organization, social dialogue, etc. However, there is one strong common element – changes caused by new technology. Amy Dean, speaking from her experience in Silicon Valley, said that firms are restructuring in a dramatic way and labour organizations need to reform and modernize. They must develop their role as labour market institutions and as social organizations, strengthening the occupational identity of their members. Danielle Kaisergruber also highlighted the need to adapt and adjust on the local level and the need to have more regulations as local regulations, which requires more local negotiations and broadening regulations to new subjects.

The question “Who adapts to whom?” – the gap between changes in firms and changes in trade unions – was also discussed. Kaisergruber and Supiot implicitly saw a need for unions to adapt to the new realities of firms (e.g., network organization). Freysinnet responded that unions do not necessarily always have to adapt and follow changes in enterprises but might also resist certain changes, or even be the initiator of changes.

A debate between Amy Dean and Jill Rubery highlighted the necessity to find solutions, which are based on solidarity between the more successful workers and those who risk becoming marginalized.

Reform at the national level

Hans Borstlap made a strong plea for reform of social policies at the national level, reforms aimed at creating more flexibility by offering new forms of security. Some of our social policies are out of date. We need to see social policy as a productive factor and we also need a strong social investment programme.
A debate between Sandro Scocco and Hans Borstlap focused on the balance between flexibility and security. How can we bring about more flexibility without giving up security for those most in need of support? How can new forms of rights be introduced, eg., rights to lifelong learning, to improve both the flexibility of the labour market and the security of individuals?

**Reform at global level**

Professor Supiot presented ideas on reform of the global institutions. He advocated a new trade policy with a social dimension, a genuine authority for social fairness of trade, a case-law system, giving the ILO a central role.

In the debate, these ideas were described both as interesting and thought-provoking. However, the political restrictions to reform of the global trade system, were discussed, including the opinion of the developing countries that industrialized countries first have to open their food and textile markets to produce from the developing countries.

**Some reflections on the next steps**

The Round Table Debate generated a lot of ideas for the work of the ILO. Here are three ideas, related to political content, political method and political support.

**Political content**

In the Round Table we discussed how to bring about a better power balance to strengthen the social dimension. Such an improved balance has to be achieved together with the employers, not against them. Therefore, we have to come up with ideas for a win-win situation, making policies for flexibility and policies for security mutually supportive. One element could be a new orientation towards quality in work, an orientation recently presented in the new European Social Agenda, agreed at the European Summit in Nice during the French Presidency. Quality in work is a broad concept, including the quality in goods and services, as well as quality in education, training and skills, and quality in working conditions. By broadening the agenda in this way, new win-win situations could be created, benefiting both employers and workers.

**Political method**

Could the experience from the Luxembourg process, the “soft law system” in the EU employment strategy, give some inspiration to the ILO? The ILO will have to maintain a role as a regulator, setting minimum standards. However, the ILO must play a role in other fields, e.g., employment, where minimum standards are not the most appropriate method. Here the ILO has to play a role as an animator, inspiring others – UN and Bretton Woods institutions as well as member States – to develop and implement new policies. A new role for the ILO requires the organization to find new political methods, e.g., guidelines, benchmarks, political commitments and strong peer pressure.
Political support

In the run-up to the UN Summit 2002 the global agenda will be focused more and more on sustainable development. Sustainable development is the integration of economic, social and environmental policies. The ILO can play an important role in that respect. The ILO represents a third of the emerging new global agenda and that agenda requires a strong social dimension. Thus, there is a good opportunity for the ILO to get political support for the Decent Work Strategy by further developing the ideas and the concrete policies in the framework of a new UN strategy for sustainable development.
KEYNOTE SPEAKERS
WORKING TO LIVE OR LIVING TO WORK?
RICHARD B. FREEMAN

There are two competing visions of the future world of work.

The Live To Work (LTW) vision is associated with the substitution effect of neo-classical economics. It holds that economic change raises incentives, which increases the marketization of activities, increases hours worked, limits economic security and creates high inequality. Increased marketization? Long hours? Little security and high inequality? A workaholic’s vision of paradise – the USA circa 2000.

The Work To Live (WTL) vision is associated with the income effect of neo-classical economics. It holds that GDP and living standards will reduce hours worked, increase workplace amenities, improve economic security, and limit after tax inequality in earnings. Less work time? More security and amenities? Limited inequality? Sounds like the EU ideal world of work – la belle vie, circa?

1. THE LTW World

A cartoon showing two Americans bragging about the US being No 1. «We’ve surpassed Japan!» The reference is to the ILO’s Key Indicators of the Labour Market, which reported that US workers put in two weeks more than Japanese workers, and 4-6 weeks more than EU workers.

The LTW world has four distinctive characteristics:

1. Everyone works, including most women, even those with kids less than two years, high school students, etc. As a result, consumption involves buying market goods rather than leisure.

2. There is limited social protection, with social benefits tied to work. Protection comes from full employment; voluntary private sector.

3. There is great inequality, which produces the high incentives tournament model - stock options, profit-sharing, etc – and insecurity necessary to induce lots of work.

4. Labour unions are weak so that workers have no way to deal with Prisoner’s Dilemma rat races in the labour market.

At its best, this is the world of shared capitalism, where employees have a real stake in their company and everyone contributes and benefits from success.
The world of participation and ownership that the EU has endorsed in its PEPPER reports.

At its worse, this is an insecure rat race, where employees work long hours for fear of losing their job, and hope of winning the big promotion or salary increase. It is NOT just that low paid unskilled sweatshop workers put in long hours. In the US, PhD biological scientists, aged 30-35 work 60+ hours in laboratories for $25,000 with no health insurance. They are called post-doctorates.

LTW has a consistent logic. It combines high incentives and inequality to create supply pressures for hours of work. It fits a society with highly unequal skills. It has developed in the USA in response to changes in technology, trade, and institutional developments.

2. THE WTL World: A cartoon showing two Europeans at a coffee shop.

“That’s a great idea! You can make a mint.” “Not till September. I’ve got my holiday.”

The four critical characteristics to the WTL world are:

1. Hours worked are limited; people take long vacations. It’s France, legislated work-sharing; Germany, Kohl’s ‘leisure park’; Holland, with part-time full employment; Sweden, six-week vacations and long maternity benefits. Consumption spending takes the form of time more than of goods.

2. There is national wage-setting, so that pay differs little among firms; and extensive social protection, so that the jobless are not that much worse off than the employed. This reduces the incentive for long hours.

3. Joblessness persists for long periods, as workers have job security and low mobility.

4. Strong labour union institutions give workers the ability to make collective decisions about division of work, pay, and other labour issues.

At its best, this is a world where security generates risk-taking and where leisure generates stronger families, limited hours produce deep insights and labour-saving innovation.

At its worst, this is a world where the employed guard their positions against newcomers, which makes entrepreneurship costly, and where the young remain in their parents’ homes for years while they wait for the good job.

WTL also has a consistent logic. It combines job security for the employed and low inequality; a secure but less rewarding economic life. It fits a society with highly equal skills. It developed in the EU in response to social democratic vision, recovery from WWII, and institutional developments that this conference will discuss.

If LTW or WTL produced greater productivity per hour worked or greater growth of productivity over the long term, one system would likely dominate the other. But in fact hourly productivity seems quite similar. Productivity per capita is higher in the LTW world, but leisure per capita is higher in the WTL world. In the full employment 1960s-1970s, when EU countries were catching up with
the USA, the WTL model looked good. In the 1990s, when the USA has enjoyed full employment while the EU has not, the LTW model has looked better.

3. How will these two models fare in the next decade or so?
The answer depends on: the ability of the two modes of work to provide full employment; their performance in periods of full employment; their performance in periods of unemployment; long term rates of technological advance.

1. Most analysts today say that the US LTW system is more likely to create full employment. But until the 1980s/1990s the WTL had lower unemployment; and as the US economy has weakened and EU has improved, some observers have begun to see a return to the earlier period. But two factors argue for continued US edge in employment. The shift of jobs to services, and the concentration of job growth among women, where the WTL EU has been slow to adjust. On the other side, employment depends on investment, which could suffer greatly in the USA because of high foreign and personal debt.

2. In periods of full employment, the LTW model has some advantages. It is better able to deal with the problem of an ageing population and publicly funded pension system by expanding the time worked by ageing workers. It eliminates welfare problems at no fiscal expense. And it raises wages for all workers. The lesson of 1995-2000 USA is that Full Employment trumps trade, biased technological change, etc., that economists have used to explain the problems of the past two decades.

3. In periods of economic troubles, the WTL model has advantages. It is better able to deal with poverty and unemployment and to stabilize aggregate economic spending. It is likely to do better in productivity growth in such periods as well.

4. There are reasons to believe that a workaholic society will beat a belle vie society in the modern knowledge economy. If LTW scientists/engineers/entrepreneurs put in more hours than their WTL peers, surely their firms will do better. But living on the edge can produce disastrous breakdowns (vide the California energy crisis) … and egalitarian distributions can lead to more rapid adoption of technologies. Sometimes, moreover, reflection does better than brute force. The fact that the US and Scandinavia are in the forefront of the Internet Economy suggests that both WTL and LTW can lead the modern technological revolution.
When asked whether the producer is sacrificed to the consumer, my immediate response is to say that this is not a logical distinction to make. In reality there are no consumers without producers, and vice versa. To separate work and consumption is to separate one’s head from one’s shoulders – because workers’ wages pay for their consumption, which gives jobs to those who produce what they consume, and so more wages, higher consumption. Better wages will lead to higher consumption and, consequently, increased need for production.

This virtuous circle is a very old one. But globalization does give a whole new dimension to it. For French people, of course, especially those who lived through President Mitterrand’s programme of economic expansion in 1981 just after the Socialists were elected, it must evoke some very bitter memories. They remember how France’s efforts to boost growth and employment led rapidly to a huge and unsustainable increase in its import bill, because the Government had not recognized the extent to which France could not expand its own economy without also bringing in goods from overseas as well. That led in turn inexorably towards economic problems, followed by an abrupt reversal of policy a few months later.

More recently, though, at different times in the last 10 years, globalization has had more positive effects. When one region of the world economy has been in recession, the continuing consumption by other regions has kept global production growing. In the early 1990s, when the United States and the EU were both in recession, it was consumption in the newly industrializing countries of Latin America and Asia that kept the world economy afloat. After the Asian financial crisis in 1997, it was consumption in the United States that provided jobs for the rest of the world. And if some of the commentators are right and the United States is about to experience recession, maybe over the next year it will be growth in the EU that takes up the slack.

From a global perspective, this also shows that building the purchasing power of consumers in developing countries can make a major contribution to world economic growth. And I think you may not be surprised to hear me point out that in turn, the surest way of generating that purchasing power is by providing decent work for all by raising living standards which means, among other things, ensuring that trade unions can undertake effective collective bargaining.
On the other hand, a virtuous circle cannot be achieved when governments gear all their efforts towards export maximization, which often involves the repression of wages and workers’ rights.

That is one of the reasons why such immense global benefits could be derived from some form of guarantee of basic workers’ rights in the international trading system.

What I have described is one of the direct ways in which consumption and production are linked in a globalized economy. Another way is through the increasingly deliberate choices that consumers can make in a globalized world.

It is said that markets know the price of everything, but the value of nothing. The same cannot be said of the modern consumer. The great awakening of consumers in the 1960s and 1970s was related largely to product safety and quality, as much or more than price. Parallel to the growth of the global economy called globalization in the 1990s, there has been a new awareness by consumers of what goes into what they are consuming. What goes into products may be dioxin or the proteins that lead to mad cow disease or it may be child labour or other forms of exploited labour.

The growing awareness by consumers of the effect of their purchases on conditions of workers as well as the dangers of products and their consequences for the environment does not just exercise itself in the market. Consumers are also workers and the public. They are helping to restrain the excesses of free market dogma.

The consumer awareness of exploitation is related to the development of production chains. Although multinational enterprises are playing an ever-growing role in the world economy, that role is not the same as it was 30 years ago. Many medium, small, micro, and even informal sector enterprises are engaged in the global economy, often through their relationships with large companies that no longer make products, but simply attach their brands to them and market them. This process is facilitated by new technologies and by a radical reduction in the cost of transport. Globalization is a goldfish bowl for companies and image damage is beginning to enter into cost-benefit analysis. As intangible factors grow in the value of companies, there are, at least for companies who market their products directly to consumers, some disincentives connected to the appearance of anti-social or anti-environmental or anti-human rights behaviour.

If one discards the thesis of short-term maximization of profits as a primary objective of companies and their shareholders, we observe more and more that there exists a common cause, a convergence with the interests of consumers and those of producers. This evolution has been stimulated and amplified by the phenomenon of globalization and even more so by the modern information technology explosion due to which we live today in a very transparent society, including with regard to commercial and business practices.

Likewise, if rootless capital is to be followed by the emergence of rootless workers tossed about by anonymous market forces from job to job or rather activity to activity, there will be consequences for employers, workers, and
governments. I am not totally convinced that some of the futurists are right on this point. Enterprises and governments need to recognize that it is difficult to combine employee insecurity with real employee loyalty. And, that developing skills and capabilities outside the company for sub-contracting parts of its operations to outsiders will not strengthen the competencies and basic value of the enterprise and tend to turn employers into brokers of services or production.

Unfortunately, much of the public debate on these issues is contradictory. Just look, for example, at the area of retirement. If, in fact, insecure, precarious, and even «flexible» employment becomes the norm, that very well may mean that people are thrown on the social scrap heap at even younger ages. Already, many workers in their 40s and 50s are having great difficulty finding jobs and are often explicitly told by potential employers that they are looking for younger workers. At the same time, many of the advocates of greater «flexibility» are arguing for raising the age of retirement because of demographic pressure on retirement schemes.

A similar, illogical response, to short-term attachment to employment and the growth of exclusion and inequality is to rely on funded pensions for retirement provision rather than the social solidarity and universality of pay-as-you-go retirement systems. Any system of insurance, including social insurance, is about managing risk. Unfortunately, what we are seeing is a trend towards shifting risk away from enterprises and society as a whole and onto individual workers.

The informalization of work organization and in the employment relationship is taking place not only at the bottom of the social scale with the growth of informal and unprotected work, especially in developing countries. It is taking place in developed countries as well and even among highly skilled workers. The variety of forms of work organization boggles the mind.

Recently, I learned of an Australian domestic airline that has virtually no employees. The people who fly the planes and work on the ground are shareholders, having purchased a share for A$20. They are not paid any salary, but receive dividends. Social security is their own problem. And if they are no longer needed or wanted the share is simply repurchased by the company. This is the ultimate flexibility, completely disposable workers.

What are the approaches and principles that can respond to this plethora of related changes in the global economy, in shifting responsibilities, in work organization and social protection, even if some of the details may escape us?

The distinction between the nature of laws that protect workers and laws that protect property remains valid, in some cases even more compelling. Labour law recognizes that the parties in the employment relationship have unequal power. It seeks to compensate for that gap. Some new forms of work organization escape those protections because of confusing or non-existent employment relationships or are deliberately designed to leave workers unprotected. Legislation and enforcement has to be constantly examined, changed, and adapted so that the rights and protections of workers remain in spite of such changes. This is an international as well as national task.
If laws and practices provide real protection for the rights of workers, there will be opportunities for workers to improve their lives and live in dignity. They may, however, need to be creative and, yes, flexible, including in the structures and functions of their trade unions. It may be that in some cases very old forms of organization based on a common craft or trade or occupation will be the best way for workers to join together rather than based on a common employer.

Social protection in the context of atypical work requires more not less solidarity. And the global economy and demographic pressures mean more, not less international solidarity. It is not possible to address these problems without addressing equality issues, not only between groups of workers, but between the rich and poor inside and among countries. Globalization has been accompanied by a selective growth of extreme poverty as well as an even more spectacular concentration of wealth.

Finally, effectively addressing all of these problems requires modern, efficient, and effective mechanisms. Principal among them is social dialogue and tripartism. This should not mean some sort of vague and unaccountable consultation with “civil society”, but the active involvement of real actors.

I have spoken of getting and keeping the government-provided framework right and comprehensive. This is vital and indispensable. However, even under the best of circumstances, the flexibility and creativity of the most enlightened regulator will not match the possibilities to regulate the workplace found in social dialogue and collective bargaining. Freedom of association and strong and comprehensive systems of collective bargaining are not just positive for the rights and protections of workers and for economic and social progress, but are vital roots of democracy itself.

The global economy requires global social dialogue. Fortunately, that is beginning to emerge, in spite of the lack of any intergovernmental framework or mandate. A few months ago, a global collective bargaining agreement was signed between a group of ship-owners and the International Transport Workers Federation. Several framework agreements have been signed between major multinational enterprises and international trade union bodies of their sector. And, there is more global social dialogue, including through the UN Global Compact, than we have witnessed in the past.

The challenge for the ILO itself as well as for the social partners is: How can social dialogue rooted in respect for freedom of association and collective bargaining be expanded in ILO member countries? And, how can it be used to grapple with the problems identified at this conference? Also, how can the ILO become more relevant to building global social dialogue? This is a central ingredient in building decent work in the global economy and in building a future we can all welcome.
CLOSING REMARKS

BY JUAN SOMAVIA, DIRECTOR-GENERAL OF THE ILO

Let me first say that this has been a great meeting. I think that we all have the feeling that we have been discussing real questions here. We have put knowledge and proposals on the table in a very effective manner. When we planned this seminar we had to decide what format to give it, whether to hold a general discussion or deepen a specific issue. We decided that at this stage we needed to look together at the general issues and basic questions of our common theme, that is to say the future of work, employment and social protection. I feel very comfortable with the way that has been done. We have had an extremely high quality debate and many ideas for the future. That is exactly the type of product that we were looking for. So thank you so much for that.

I would also like to thank all of those who have made this event possible. Peter Auer from ILO and Christine Daniel from the Ministry of Employment and Solidarity were responsible for much of the design and planning of this Conference with support from Emmanuel Reynaud, Jean-Michel Servais and Gerry Rodgers of the ILO who are here with us, and Dominique Méda in the Ministry of Employment and Solidarity. A particular thanks to Marie-Thérèse Join-Lambert, who has been supporting this exercise throughout, as well as to Jean Lavergne, Jacques Maire, Didier Garnier and other colleagues from the Ministry. A big thanks to Françoise Weeks who along with Vanna Rougier and Carmen Ruppert have worked really intensively and effectively on the organization of this Conference. To Martine Aubry for her original enthusiasm for this idea and to Elizabeth Guigou for her continued commitment and support to it, and particularly for her personal participation at the beginning of the meeting. And of course to all of you who have participated in the meeting for the reasons that I have just given.

We now have to discuss with the Ministry of Employment and Solidarity how we continue, but there are already a number of practical proposals on the table, such as the creation of a website, which Elisabeth Guigou raised yesterday, an electronic network, and obviously the continuation on a regular basis of meetings of this type. Perhaps also other activities between meetings. It is not enough to have one conference after another, we need to think about what we are going to do with the ideas that are proposed, how we deepen the knowledge, how we generate wider debate and discussion on the policy proposals that are
coming out. If any of you would like to send me a couple of pages on what you think should be the research agenda or to refine some of the policy proposals that you made, please feel welcome. That would help us a great deal with the follow-up.

Today we have launched a process that I think is going to be extremely important for the ILO. Elizabeth Guigou yesterday said we have to think about a “social Davos”. It is true that there should be a place, in the framework of the ILO but not necessarily exclusively the ILO itself, where we convene the world to debate issues in the way we have been doing here. We will see what form it could take as we go along, but I believe we have to think about how we could move towards that.

Let me start by explaining why I thought it was important to organize a meeting of this type, concerned with issues of work and social protection in industrialized countries.

There are two different points here. The first concerns the ILO’s action in countries at different levels of development. I represented Chile at the United Nations for a decade, and I realised that from New York some people saw the ILO essentially as an instrument within the international system for improving social standards in the developing countries, while industrialized countries would no longer need international monitoring of these standards. I think there is a danger here. We see around us the emergence of new phenomena, and they affect both rich and poor societies. The ILO has to maintain a capacity to be relevant to both the developing and the developed world, if it is to be able to tackle the social issues of today. So what we are doing here is of strategic significance to the ILO. It is a question of the global mandate and responsibility of this Organization and its capability to lead knowledge and understanding of the new phenomena which affect workers and their families worldwide.

The second point is that all of us here believe that it is important to reflect and think about these issues. That is absolutely essential. That is why you are honouring us with your presence here, and are willing to share and discuss your knowledge and your experiences. One of the major problems today in politics is that the ability to reflect and analyse seems to have shrunk. It is a question of time. The decision-making process takes up a great deal of space and time, and that competes with the time for reflection and thought. We all, when we have political responsibilities, tend to work on the basis of knowledge which we already have, but it is necessary to continuously renew that knowledge. That is not impossible, but it is difficult, even though there are a number of exceptional specialists in the political field who are able to do this. In the ILO, therefore, as elsewhere, we have to push for further thought and reflection; to be a little provocative sometimes; to stimulate and encourage people to think; to raise questions which are awkward, embarrassing questions; to say, well, take time and look at these ideas which have been accepted by everyone but do they really work? I think that this is one of the roles of the multilateral system, and the ILO within its sphere has an essential role to play. Even an organization such as the ILO, with its wealth of tripartite riches, will fail to keep up with the process of
rapid change if it does not ask these questions – and that is the road to irrelevance. I hope and believe that in the ILO we can mobilize some of the leaders in thinking and reflection to help us continuously renew our knowledge in the key areas of our mandate.

Then of course there is the question of linking the theoretical and the intellectual with the practical realities. In the ILO’s Governing Body we hear the voices not only of governments but also of the representatives of employers and workers. So our system of governance already generates a debate which is anchored in the realities of firms and economies. There is a tremendous potential here for deepening exchange and reflection. This seminar was only a beginning, but it will I hope help us take advantage of this potential. In a day and a half we cannot solve the problems, but we have opened up certain possibilities and identified critical issues that need to be examined in depth.

Let me make some comments on the discussion over the last day and a half. We have all heard the syntheses of the four sessions, and they are truly very good so I do not need to repeat them. Instead I will just mention some of the issues that have come to my mind.

The first is something that comes out very clearly, which is the diversity of situations and the diversity of solutions. We heard about innovation on a whole array of issues as they came up. None of this is settled, but very clearly there is thinking and action going on in trying to deal with these questions. It brought the following sentiment to my mind: that the response to the “pensée unique” is not another “pensée unique”; rather that the response to analytical dogmatism is pluralism of thought. I think that we all understand that from an intellectual point of view we can no longer say that there is one unique solution. Unfortunately in the 1980s and a good part of the 1990s we lived in a world in which people thought there was one solution. This view has lost support, although it remains influential in the way policies are formulated. But in analytical and intellectual terms we have moved into a phase which recognizes the richness and creativity of alternative views, and the need to put the different interests that are present at the service of finding solutions.

But there are also worrying trends. Whatever conclusion you draw from the discussion we had, whether jobs are truly becoming more or less precarious, the fact is that uncertainty is growing. On that we are broadly in agreement. There is for some reason a sense of unease – I may have a sure job today but will I have it tomorrow? We have to deepen the understanding of that.

I think that people are not afraid of change, they are afraid of uncertainty. Most of you have talked about changes going on and how to respond to these situations. One of the sources of uncertainty is that people do not know where is the anchor. What are the reference points and values that are holding things together? People react wherever they are placed, and try to adapt to what is going on around them, but they ask themselves, where is the anchor in this process? I think that the political world, which sometimes has a knack to capture these things, has been finding ways of expressing this concern: Bill Clinton’s formulation was “let us put a human face on the global economy”. Jospin says “yes to
the market economy but not to the market society”. Blair talks about we have to marry modernity with social justice. In Germany they tried to see how to keep the social market model in a globalized world. George W. Bush is talking about compassionate conservatism. All of these formulations respond to the idea that the anchor is very important for people and that it is somehow linked to values and to the type of society we want to create… Of course in the last 20 years values looked like the “soft” issue; in many people’s minds the real issue was the hard concrete decisions that you have to take on the basic element of transformation today, which is the economy.

I believe that because of these feelings of uncertainty the questions of the anchor and the underlying values are coming back. We are obliged to respond. We tend to say that economic changes are irreversible and the only possibility that we have is to adapt to them. I would say to that, yes and no. Yes, open economies are better than closed economies, yes open societies are better than closed societies, yes the information and communication technology revolution is irreversible. But policies can be changed, whether they are macroeconomic policies, trade policies, development policies, financial policies. Policies are not biological phenomena. They are made by people and institutions and they can be changed. You need a double adaptation. An adaptation of people and institutions to the reality of the changes but also an adaptation of the process of change to the needs of people. We need an adaptation from both ends. I think that many of the comments that were made in our meeting reflected that tension in one way or another.

We are trying in this new stage of the ILO to look at problems through the eyes of people. This is the reason that we came up with the “decent work” formulation, because it is built on the notion that you really have to go down to basics and ask people what they truly want. I saw this when I was working on the Social Summit. In preparing for the Summit I asked people and policy makers around the world what are the key social problems. Two answers came back at different levels and in different situations: the first was poverty and the second was social exclusion. And when I then asked, what is the solution?, inevitably in one way or the other the answer was “work”.

If I have good work, decent work, quality work it is a pretty good step out of poverty and a pretty good step into social inclusion. Work is in the hearts and the minds of people. That is the reason why in the ILO, where we deal with workers’ rights, with social protection and with social dialogue we have given high priority to employment – because you need work to make a reality of workers’ rights.

Work is a source not only of income but also of dignity. It is a source of well-being for a family. We tend to forget that behind an unemployed person there is a very unhappy family – and then we must ask ourselves about the impact of inadequate work on domestic violence, children mixed up with drugs, etc. Ultimately, all these things are connected.

Work also affects the stability of local communities. It increasingly has to do with the credibility of democracy. Let me say here that we have a clearly
different approach from the World Bank and the Fund. The Bank and the Fund have, correctly, I think, put poverty reduction at the top of their agenda today. Having organized the Social Summit I am very happy that they finally came around to it, so I will obviously not quarrel with that. But what is interesting if you look at their documents, nowhere do they say that the way you get out of poverty and social exclusion is through jobs. They talk of education, health, a number of very obvious things that are needed for development but the point is, you can be educated and unemployed and healthy and unemployed and even empowered and unemployed. In the end the bottom line of family life is, what is my relationship with the productive system? So work continues to be the key.

This is valid for the developed world too. We were told yesterday that there has not been much change in the proportion of precarious jobs, but 20-30 per cent of precarious jobs in a developed society is not something to be proud about. I was very struck when I saw a Belgian film called Rosetta, which is about a young girl in Brussels trying to get what she called a “travail normal”, a normal job. She is harassed at work and a lot of things happen to her, but the point is that she is one of those that simply cannot get on the train. This is an important issue for societies that have reached the level of sophistication, knowledge, resources and capacities that the industrialized societies of today have reached.

I believe there is a decent work deficit in the world. We are saying that the decent work deficit in the world is made up of four gaps. There is the employment gap, 160 million unemployed in the world, over one billion including the underemployed. There is the workers’ rights gap and all of the ILO documentation is there to prove it. It is the foundation of the Declaration of Fundamental Principles and Rights at Work. We have a social protection gap: something like 80 per cent of the working age population of the world does not have adequate social protection; and we have a social dialogue gap, not necessarily in the countries represented here but very much so in the world. Taking all of these gaps together we have a decent work deficit, and we have to think together what we can do about it.

In this seminar we are analysing the situation of the industrial and developed societies, but what you do to solve your problems has to be linked to how others are solving their problems. These are global issues.

One thing that also has struck me in the way we have been addressing these problems is that there is a tendency to say, look, if you do not have a decent job it is your fault, you are inadequate, you are not adapted, you are unfit, you are incompetent, it is your problem. Just look around and look at all the successful people around you, so what is wrong with you? I am caricaturing the position, but you can recognize the argument. I think that something quite extraordinary happened in the course of the 1980s and 1990s. We came back to the notion of personal responsibility, which somehow had been lost. We came back to the idea that in the end we do have a responsibility for our own reality and for our own life and it is up to us to be able to cope with many of the issues that we face. I think that up to a point this has been a positive evolution, but it can go too
far, and some people end up arguing that institutions and policies are not that important, only individual responsibility counts. We have to reestablish the balance between the spaces of personal responsibilities and the spaces of institutional needs. I think we discussed this issue here very well.

I would just like to mention the question of the measurement of the quality of work. Very clearly we need to develop this idea together with the concept of social efficiency. We have plenty of statistics and indicators of economic efficiency, but what are the indicators of the social efficiency of a society? I believe that there is an obvious need to develop measurement methods and instruments that can help us to understand these issues much better.

Let me make a comment on the global economy, another on the idea of an “international social authority”, and finally something on integrated thinking and values.

I have the feeling that we have to be cautious about simply declaring that we now operate in a global economy. The new economy has its bubbles but also its deflations, as we have seen happening recently. The old economy is still there, some of it linked to the new economy and some of it not. We have the informal economy which is growing worldwide, and new linkages are developing between the informal economy and the global economy. You have the stock market economy, apparently less linked today than in the past with traditional market valuations, and responding to other forms of logic; and you have the influential legal economy. Does this package as a whole amount to a global economy? I do not think so. I think that we have to be careful about concluding that because deregulation, privatization and lower taxes have increased capital mobility and stimulated trade and investment, the result is that we now have a global economy. We need a more sophisticated analysis.

I think we have to understand better these different production systems within our societies. A question that was raised towards the end, which I think is extremely important, is, what is a modern enterprise? In this new economy, what is a modern enterprise that combines the flexibility and security that we talked about, what are the industrial relations formats within this modern enterprise? What is the role of dialogue in that environment and how do you organize for that dialogue? Can an enterprise be made to work as a community? I believe that organization is crucial, as was said here both from the side of the trade union movement and from the point of view of the employer. How do we invent together forms of social dialogue oriented towards the future that are not necessarily locked into traditional and historical forms of confrontation between capital and labour?

I think that trade unions have a particular challenge. Many of the things that Amy Dean told us were very interesting. How the trade union movement of the United States is moving to be more community- linked, more connected to working families, going beyond the contact with the worker into service functions and trying to respond to other preoccupations that a worker may have, such as gender inequality, environmental issues or others. These things are beginning to be dealt with in creative ways. Moving towards a modern enterprise
and away from the confrontational process also implies, I believe, the capacity to facilitate the organization of work so as to open space for dialogue, and that dialogue then contributes to stability within an enterprise. If you do not have a voice in the enterprise then you may well go out in the street. So giving voice is the best way of ensuring stability.

Let me comment on the idea of the “international social authority”, which I found extremely interesting, in the very piercing presentation that Alain Supiot gave us. This falls into the area of global governance and legitimacy.

I observe that there exist international institutions whose decisions have legitimacy. When the International Court of Justice decides something, it is agreed, and nobody goes out onto the street and says, no, how is it possible. There are also international organizations which are of a technical nature, for instance the International Meteorological Organization. They set agreed global standards which have global legitimacy. We have had these bodies for a long time. The work of the European Commission was cited, and there is also the example of the dispute settlement procedure of WTO.

Other organizations have influence based on power. The UN Security Council has the legal authority to take action. The International Financial Institutions have economic power, insofar as they control flows of certain resources. You have also private economic power – the people that grade the bonds of countries have an extraordinary power. When you pass from B+ to B– that means a lot of interest rates go up right away. It is a de facto market power that exists today and that is real.

In that context, where does the ILO fit in? I think that we fit into the legitimacy sphere rather than the power sphere. When our Conventions are ratified by governments they become a binding obligation and that sets in motion procedures and mechanisms in terms of national legislation and enforcement. The legitimacy of that function is not questioned. As a result the ILO has had a rather important influence in its 80 years of existence.

As far as the “international social authority” is concerned, let me say that I think that many of the elements are already in place in the existing ILO mechanisms. First, the ILO’s Committee of Experts receives governmental reports on ratified Conventions and gives its opinion on the conformity of actions in each country. This is an independent body doing objective technical, legal work. A jurisprudence has been built up over the years.

Second, the ILO has a Committee on Freedom of Association. The President of the Committee on Freedom of Association is here with us, Professor Rood. This is a complaints-based procedure. The Committee gives an opinion, in fact it adjudicates a dispute in the legal sense. The reports of the Committee go to the Governing Body of the ILO for approval.

Third, we have Commissions of Inquiry. These are used sparingly – they have been used in the past in South Africa and in Poland, for example. Their recommendations have normally remained within the ILO, although that does not make them less influential. In one recent case, that of forced labour in Myanmar, article 33 of the ILO Constitution was used. That permits the
Conference to authorize certain measures to be taken if the recommendations of a Commission of Inquiry have not been put into effect.

Within the ILO, there is a review now under way of the whole standard setting system with its supervisory machinery. We hope that this will lead to tripartite agreement on how to move forward, in terms of making the process more efficient and effective, as well as developing technical cooperation to solve problems. We cannot maintain an exclusively legal perspective, and in fact we are going beyond that. There is now a global consensus that there are a set of fundamental, core labour standards – that was affirmed in the Social Summit and embodied in the Declaration on Fundamental Principles and Rights at Work. Those principles and rights cover child labour, non-discrimination, forced labour, the right to organize, freedom of association and collective bargaining. They are universal, and valid for all workers at all levels of development.

These issues extend to the private sector, because they impinge on enterprise policy, providing ground rules for socially sensitive restructuring, for instance. Core labour standards need to be build into management principles. We get a lot of requests for ILO cooperation on standards issues from individual companies, and now we have a Global Compact that the UN Secretary-General has launched, but this is just the beginning. You need to take account of public opinion, as consumers are increasingly concerned with how goods are produced, which makes that an important issue for the image of a company. Private standard setting and self-regulation are expanding, and that should be seen as a positive development. But at the same time it has the danger that people pick and choose parts of the ILO agenda, selecting elements of standards that may or may not coincide with the ILO position overall.

Our debate shows that we need to think about those issues. But I do want to mention what I see as a factor which limits how far we can go. When you empower the WTO to adjudicate on a trade dispute, for instance, you are intervening in a State to State relation. It affects the economy and it affects private actors but it is a State to State relationship. But a global authority on social issues seems to imply some authority to intervene in internal matters. That is an idea that would certainly provoke negative reactions from both developed and developing countries. I can perfectly well see many countries saying, hold on, let me deal with my internal problems. I do not want an outside body interfering in how we settle our social disputes, because these are important national issues with political ramifications.

As far as the ILO is concerned, then, we have a legitimacy in general and case law capacity in terms of specific conflicts or specific ways of implementing our conventions. We will continue to build on that.

Let me end up with two things which I think are important.

First, we deal with a set of economic and social values and goals which need to be considered together. In people’s lives, the political and the economic and the social are very tightly and closely linked. We do not compartmentalize things in the family. But when it comes to policies, we find it very difficult to develop
integrated policies which correspond to the realities of daily life. I think that this represents a major challenge.

We need much more integrated thinking. In one of my previous incarnations I was head of a research institute, so I know how difficult that is. But I believe that on the types of issues we are discussing here, without much more integrated thinking it is going to be extremely difficult to find the solutions. It all hinges on the mix, on the balance, on the relative importance of one policy against another and the ways they are combined. And yet we continue to have a sectorial analysis of an increasingly integrated problem. Governments are organized that way, the international system is organized that way.

I just want to leave that question on the table. We are trying to move towards a more integrated approach in the ILO and it is difficult. We have established four strategic objectives: rights at work; social protection; employment; and social dialogue. Those are the four key areas of our activities, and together they make up what I have called the objective of decent work. It is a marriage between the historical agenda of the ILO in relation to rights at work and social protection on the one hand, and a growth and development agenda involving jobs and enterprises on the other, with social dialogue, which is at the heart of the ILO, as the way these things are brought together. But as we move into these four strategic areas we see that the ILO does not yet operate in a truly integrated way. Each of the strategic objectives is linked and interrelated with the others. We have to answer questions such as how does the right to work affect social protection? How does employment affect other aspects of decent work? We have expertise in each of the four areas but much less expertise in the interaction between them. We have to develop this interactive expertise if we want to make the decent work agenda a cohesive and a comprehensive agenda. So we need to explore interaction, identify bridges between the each of these strategic objectives. It is necessary to reflect further to see how far we should go and with what methods. This is a theme to which this type of meeting can contribute.

The final point that I want to make is that in the end this is about values, values in a realistic, practical concept adapted to the modern world. Without values to guide us towards the type of society we want to build together it is really easy to go astray. I think that the issue of values is not just a nebulous thing for those who have certain beliefs. It has a very practical product, which is bringing down the uncertainty of people. You do that not only in concrete ways but also by acting on the perceptions of people. Today it is clear, and it came out in our discussion, that subjective uncertainty affects people more than you would expect from objective insecurities. The uncertainty goes far beyond what the data tell us, and I think, and that is my perception, that it is linked to values. The fact is that the issues we have been discussing here are in the heart of politics and society and in the heart of family life.

I think that we have had a very successful meeting. We have to now sit down with our colleagues from the Ministry of Solidarity and Employment and see how we will continue. But thank you so much for an extremely enriching debate. Thanks a lot.
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