The sociology of labor markets and trade unions
Streeck, Wolfgang

Postprint / Postprint
Sammelwerksbeitrag / collection article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:
SSG Sozialwissenschaften, USB Köln

Empfohlene Zitierung / Suggested Citation:

Nutzungsbedingungen:
Mit der Verwendung dieses Dokuments erkennen Sie die Nutzungsbedingungen an.

Terms of use:
This document is made available under Deposit Licence (No Redistribution - no modifications). We grant a non-exclusive, non-transferable, individual and limited right to using this document. This document is solely intended for your personal, non-commercial use. All of the copies of this documents must retain all copyright information and other information regarding legal protection. You are not allowed to alter this document in any way, to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public.
By using this particular document, you accept the above-stated conditions of use.
This chapter deals with the relationship between trade unions and labor markets. It cannot even attempt to offer a comprehensive treatment of either of the two. The first section, “Labor Markets and Trade Unions in Sociological Research and Theory,” takes stock of core concepts and research traditions informing, or potentially informing, an economic sociology perspective on the subject. It is followed by a systematic discussion linking trade unionism to the interaction of supply and demand in different types of labor market, leading to a historically grounded typology of labor markets and trade unions and to an exploration of the relationship between trade unions and politics on the one hand and the economy on the other (“Labor Markets and Trade Unions: Between Economy and Society”). Next comes a stylized historical account of the coevolution of modern trade unions, labor markets, and the welfare state in different advanced industrial countries. The chapter concludes with informed speculation on the future of labor markets and trade unions in the postindustrial era (“The Rise and Decline of Trade Unions”).

Inevitably the chapter trespasses on the territories of a variety of disciplines. Economic sociology has pointed out the significance for the operation of labor markets of functionally diffuse, noncontractual relations between individuals that form extended networks of communication and mutual obligation. It has also emphasized the embeddedness in such networks of the functionally specific, contractual employment relations created in labor markets. But it has conceded the formal institutions that regulate labor markets largely to economic efficiency theories (table 1). Unions as collective actors do not appear much in economic sociology either. Although rooted in the same informal social structures that also underlie labor markets, they were left to political sociology and political science on the one hand and to industrial relations on the other, depending on whether they are considered in functionally diffuse political or functionally specific economic contexts.

Labor Markets and Trade Unions in Sociological Research and Theory

The Sociology of Labor Markets

While historical sociology has explored the rise of free labor markets in the early modern period (for a summary account see Tilly and Tilly 1994, 286–91), the mainstream of recent sociological research has focused on the structured allocation of individuals to jobs of differential desirability (Berg 1981; Coleman 1991; Granovetter and Tilly 1988; Tilly and Tilly 1994). In part this seems to have been driven by political and civic concerns about equality and equal opportunity, particularly in connection with the feminization of employment and the rise of feminism and with, especially American, controversies on social and economic discrimination by race or ethnicity. Much of the current sociological literature on labor markets overlaps with the literature on social stratification and uses similar empirical techniques (Kalleberg and Sorensen 1979; Sorensen 1977). It also borders with sociological research on status assignment in large hierarchical organizations (Clegg and Dunkerley 1980; Baron and Bielby 1980).

Generally, sociological research and theory maintain that the labor market is not really a market, in the sense of a universalistic, impersonal, color- and gender-blind mechanism matching supply of, and demand for, labor. Economic theory is assumed to maintain just this. It is also assumed to claim that unless price formation is interfered with, labor markets will not only clear—in the sense that they establish an equilibrium price for labor at which all who want to work are employed, and all who want to employ someone find someone willing to work for them—but that wages and access
to employment are, or could and indeed should be, determined only by workers’ marginal productivity and employers’ marginal costs. Sociologists generally endeavor to show that free labor markets are impossible, and unregulated labor markets neither free nor fair. Absent corrective intervention, the social stratification generated by labor markets, or by hierarchical work organizations, is likely to be at odds with elementary requirements of social integration and political stability, if not social justice.

A central difference, then, between economists and sociologists looking at labor markets is that the former are principally concerned with efficiency—the optimal allocation of workers to jobs—whereas the latter worry, if at all, more about fairness. For economists, the condition of efficiency is satisfied if employment is affected only by those characteristics of workers that are relevant to the performance of the job in question. The result may, however, not be considered fair by sociologists if the distribution of relevant worker characteristics can be shown to be determined by factors like power, family and class, ethnic origin, and the like. On the other hand, even if sociological research can establish that employment opportunities are affected by entirely irrelevant individual properties, such as skin color for miners or bus drivers, economists can still save their concept of an efficient free market by including discrimination among the preferences ascribed to employers (Becker 1957).

More generally still, economic sociologists have argued that not only are labor markets not the sort of markets that economists believe they are, but they would not function if they were. Leading sociological work on labor markets emphasizes the essential significance for their operation of large chains, or “networks,” of particularistic and personal social relations, or “weak ties” (Granovetter 1973), that lie at the bottom of labor market transactions and precede, frame, constrain, and facilitate the rational strategic behavior of market participants. In other words, while recognizing that individuals seeking employment or seeking to employ others strive to maximize their utility, however widely defined, sociologists insist that they can do so only in the context of, and mediated by, social relations that require them to behave in line with rules that are social rather than economic. This is because it is only through social relations that potential employers and employees can acquire and assess information on each other and on the jobs at stake. The same applies to the indispensable establishment of trust, where transactions extend into a future that is beyond the parties’ prediction or where contracts must be premised on the continuing good faith of the other party.

Even though networks of social relations underlie all labor market transactions, they are not and cannot be set up for the purpose of making markets function. Rather, they are governed by a logic of interaction and social integration that presupposes a set of shared normative understandings, including at least residual acceptance of what Gouldner (1961) called a “norm of reciprocity.” Self-seeking rational individualism is respected to the extent that it is normatively approved, and it is likely to be strongly normatively approved in capitalist societies where it is socially legitimate for market participants to look above all after themselves. At the same time, continuing informal relations among network participants, which are essential for the market to work, require that rational individualism not be driven beyond a point where all that an individual can reasonably assume of the other is “opportunism with guile” (Williamson 1979, 1994). In fact, actors who acquire the reputation of being nothing but opportunistic are likely to be eventually excluded from the community of those acting, and trading, in good faith. Agents that others cannot trust are not asked for information, which means that they cannot get information from others in exchange (Blau 1964), and they are unlikely to be hired if their reputation predicts constant haggling over the terms of their contract.

In sociological work on labor markets, social networks have been drawn upon to explain, not just how individuals get a job, but also why certain jobs are regarded as “appropriate” for certain groups and why some groups are over- or, for that matter, underrepresented in certain occupations.
Here the logic of explanation usually involves a historical starting point, for example, a more or less accidental overrepresentation of a certain group of immigrants in the workforce of a particular industry. Over time this crystallizes in a social pattern, as workers prefer to work with their relatives and friends, personnel managers want to limit search costs and to put informal social controls among workers at the service of economic performance, and supervisors prefer workgroups to be socially homogenous to simplify communication and avoid ethnic conflict at the workplace. Once a pattern of this sort has become established, it assumes the character of an informal institution from which actors can deviate only with an effort and at a cost. Such embedding of economic behavior and “rational” economic decisions in ongoing social relationships, with their specific dynamics of suspicion and trust, uncertainty, lack of formal enforceability, informal mutual reassurance, and the like, is used to explain a wide range of phenomena, from the fact that dentists are primarily women in Russia while they are primarily men in Germany, to racial discrimination in multiethnic societies like the United States.

Access to social networks is, almost by definition, far from egalitarian. Indeed the concept of “social capital” (Bourdieu 2000) has been devised to emphasize both the high market value and the unequal distribution of informal social relations. Sociological observations on the contribution of social capital to labor market success and occupational attainment may issue in calls for political intervention, either to redistribute social capital or to neutralize its impact. Examples of such intervention are affirmative action programs or educational policies designed to disrupt existing patterns of social relations and replace them with others that are less exclusive and more universalistic. Sociologists do, of course, disagree not just about the prospects of success of social engineering of this sort, but also about its desirability.

Remarkably, although economic sociologists have insisted on the essential significance of social relations for the operation of labor markets, formal rules and institutions regulating such relations have not been at the center of sociological inquiry. Nor have corporate actors engaging in such regulation, such as trade unions. This must appear surprising, as labor law and collective bargaining obviously play a major role in the functioning of most modern labor markets. While it is true that individuals rely on informal social ties to gather information on job opportunities or on the reputation of others as employers and employees, the rights and obligations involved in employment relationships are to a very large extent formally standardized and sanctioned by third parties, although in some countries more than in others.

Standardization of expectations and transactions through legitimate institutions cuts the information requirements of market participants and relieves them of the necessity to reinvent the wheel every time they conclude a contract. Institutional economists since John R. Commons have appreciated the importance of labor market institutions for the lowering of what are now called “transaction costs” (Williamson 1979, 1994), as well as for the flexible adjustment over time of the terms of employment contracts to changing contingencies. Mostly, however, they have explained labor market institutions and arrangements for the governance of ongoing employment relationships in efficiency-theoretical terms, that is, in terms of the interests of market participants in minimizing the costs of their transactions. The sociological tradition suggests a different and, presumably, more realistic approach to institutions, one that emphasizes their normative foundation and obligatory character, as well as the fact that their evolution is governed by a variety of social forces in addition to efficiency considerations, such as the distribution of power in society or, importantly, their own past.

To develop a more historically grounded, non-functionalist and noneconomic theory of labor market institutions, sociologists do well to start from the same informal networks of weak ties that they have identified as the social fabric supporting transactions between individual labor market participants (Granovetter 1974). Not just markets spring from networks (White 2002a) but also institutions and the corporate actors that enforce them (what Weber calls Herrschaftsverbände). Institution building requires social networks supporting the mobilization of resources for the enforcement of specific patterns of action. Norm-enforcing organizations become legitimate institutions to the extent that they can call upon the assistance of third parties if necessary (Stinchcombe 1968). For whatever reason, the economic sociology of labor markets has been reluctant to move on to an analysis of the dynamics of institution building and institutional change inside markets.

The Sociology of Trade Unions

While there is an extensive sociological literature on trade unions, it is not primarily in the context
of a sociology of the economy that trade unionism became an object of sociological inquiry. Trade unions as corporate economic actors in the labor market were studied, if at all, first by economists and later by the hybrid discipline of industrial relations that was in the 1960s gradually spun off by economics when it turned increasingly formalistic. Economic debates centered on the question of whether unions were able to raise the price of labor above its equilibrium market price and, if so, what the likely consequences were for monetary stability, growth, employment, the distribution of income, and so forth. Early on the Austrian economist von Böhm-Bawerk in *Macht oder ökonomisches Gesetz* ([1914] 1968) had argued that it was impossible for unions to beat the laws of the market. Later, with the firm establishment of collective bargaining in the 1950s, economists looked at unions as would-be monopolists in the labor market and tried to account for the outcomes of their activities by developing theories of monopolistic competition (Chamberlin 1950). For Keynes and his school, unions contributed to making wages downwardly rigid, which was basically welcome as it helped stabilize demand in periods of recession. However, unions were also capable of obstructing government efforts to increase employment, deploying their organized bargaining power to absorb additional aggregate demand by raising wages for employed workers, leading to higher prices instead of expanding employment.

Largely disregarding unions as economic actors in a strict sense, sociologists considered them primarily in the context of work on social mobilization and political organization, or collective action in general, as well as on modernization, nation building, the political-institutional representation of societal cleavage structures in twentieth-century democracies, and the institutionalization and pacification of the class conflict in industrial societies. Unlike the economic sociology of labor markets, the—mostly—political sociology of trade unions was macrosociological in outlook, although in its best manifestations it combined micro- and macrosociological perspectives. Emblematic in this respect is the work of Seymour Martin Lipset, in which unions are treated as political organizations of social groups in the modern nation-state, and in particular as contributors to its democratization and transformation into the democratic welfare state of the post–World War II period.

Lipset’s work on trade unions explored the roots of different forms of trade unionism, like craft and industrial unions, in the social structures of communities of workers, such as the occupational communities of skilled craftsmen or the socially secluded territorial communities of mining villages and company towns (Lipset 1960, 1983; Lipset and Marks 2000). Lipset explained how different community structures gave rise to different organizational structures of trade unions as union organizers depended, at least initially, on the networks of primary relations that organized the social lives of their constituents. But unionism was also and equally affected by the political and economic opportunity structures for trade unions, especially at the time of their first appearance. Of crucial importance in this respect were the timing of industrialization and democratization, and especially of the introduction of the general franchise; the response of state and economic elites to unionization; and the presence of religious and ethnic divides in a country’s political community. Informal group structures and institutional opportunity structures, Lipset showed, interacted to account for whether unions would become radical or moderate; the extent to which they would rely on collective bargaining or on political action; what sort of welfare state they would favor; and whether their behavior in relation to employers and the state would be governed mainly by economic or by political considerations.

Central to Lipset’s political sociology of trade unionism was that it analyzed the role of organized collective action in mediating between the social structures of communities of workers on the one hand and the evolution and, ideally, democratization of the modern state on the other. Lipset was not, however, primarily interested in the impact of unionization on the economy, and in fact the relationship between trade unionism and the evolution and functioning of free labor markets, unlike liberal democracy, largely remained outside his view. This was different in the work of T. H. Marshall, with its core notion of a historical sequence of institutional development from civil rights to political and social rights, the culmination of which he believed to be the post–World War II welfare state (Marshall 1964). Like Lipset, Marshall was a political sociologist interested in a macrosociological theory of the modern state, not a political economist or a sociologist concerned with the embeddedness of economic in social transactions. Fundamental to his approach, however, was the assumption of an almost dialectical tension between the free market of capitalism, including the free labor market, and the various layers of citizenship rights institutionalized in the modern state, which
led him to develop a peculiar conception of trade unions as collective actors crossing the boundary between the polity and the economy and combining essential features of political and economic action.

For Marshall, the recognition of trade unionism in the process of democratization represented an intermediate step between the institutionalization of political and social rights. Unions organized to demand social rights for workers to a living wage and to dignity in the workplace, contributing to the secular progression toward effective entitlement of all members of a political community to a minimum level of subsistence. But rather than relying on political rights to democratic elections and, subsequently, on direct state intervention in the economy, unions, once they had won the right to organize, pursued their goals in the civil sphere of the marketplace by means of free and voluntary, albeit collective, contracts. Marshall believed that this should be much less threatening to capitalism than state interventionism, as it respected the logic of capitalism's core institution, the market. Collective bargaining, therefore, although it was based on collective action, Marshall conceived as rooted, not in political citizenship, but in an economic equivalent that he called "industrial citizenship," enabling workers to act collectively to gain social rights, not in the polity but in the marketplace, and not through state authority but through the elementary civil right to conclude contracts, transferred from individual workers to their organized collectivity (1964, 94).

Marshall's concept of collective bargaining as an institution inserting political action in the economy and social rights in the labor market, and of unions as political as well as economic actors transferring public citizenship into the private sphere of market and contract, contains central elements of an integrated sociological perspective on labor markets and trade unions. The same holds true for the hybrid discipline of industrial relations that grew out of economics with Dunlop's book, much inspired by Talcott Parsons, *Industrial Relations Systems* (Dunlop 1958, 1993). Originally industrial relations was above all a praxeology of how to deal with trade unions and, especially, the strike, propagated in the post–World War II period as a scientific rationale for the universal introduction of free collective bargaining as a means of domesticating the class conflict. In its more academic manifestations, industrial relations was inspired by institutional economists such as Commons (1924) and the Webbs (1911), who had been sympathetic to unions, not just as political actors in the context of liberal democracy, but also as economic actors in the labor market. Relations of employment, according to Dunlop ([1958] 1993), required for their smooth operation a "web of rules" laying down rights and obligations of employer and employee. Its origin Dunlop located in interactions between employers, workers (or organized workers), and the government—the "actors" of what he called the "industrial relations system," for which Dunlop immodestly claimed the same systemic status as Parsons's polity and economy. Clearly this did not endear industrial relations as a discipline to sociologists, who at the time were still fascinated with the symmetry of fourfold tables and classifications, regardless of the overriding importance for the functioning of a modern economy that Dunlop attributed to norms and institutions. Nor did it help that Dunlop insisted that industrial relations were not identical with either politics or economics, while including elements of both, in an interesting parallel to T. H. Marshall.

The function of industrial relations, in Dunlop's view, was to generate two kinds of rules in particular: substantive rules governing the relations between employer and employee, and procedural rules determining how substantive rules were made. Substantive rules in contracts of employment laid down the terms of trade for the goods exchanged between their parties—"a good day's work" for a "good day's pay." Among other things, they stipulated how work effort was to be measured, monitored, and motivated, and valued the kind of work being paid for in comparison to other kinds of work. Partly such terms were fixed, not by the individuals immediately involved, but by the government or by collective agreement negotiated by trade unions on behalf of workers. Procedural rules regulated the process of rule making, in particular the rights and obligations of the different industrial relations actors, like the right to strike or to lock out. The general assumption was that substantive rules regulating work and employment would be more efficient and legitimate if they were made with the participation and, eventually, the agreement of workers, rather than unilaterally by employers or the state. This was modeled on the American institution of free collective bargaining, which had been a central pillar of the New Deal and was widely considered at the time as a workable solution to problems of class conflict apparently untreatable in the ideology-ridden Old World—a practice that could be empirically studied and pragmatically improved with the help of scien-
The 1970s saw a wave of studies on trade unions in a borderland between a sociology trying to reclaim some of the classical themes of political economy, and a changing discipline of industrial relations, a field being trespassed upon by a growing number of sociologists and political scientists. The rise in worker militancy and union membership after 1968 (Crouch and Pizzorno 1978), everywhere except in the United States and highly unexpected after the literature of the 1960s on an impending “withering away of the strike” (Ross and Hartmann 1960), led to new research on the causes of union growth (Visser 1990). Moreover, relating by cross-national comparison variables like union strength, in membership as well as institutional position, to macroeconomic outcomes like growth, inflation, and employment, the new literature empirically contested the view, subscribed to by most economists, that strong unions necessarily meant weak economic performance. Other studies explored, almost by necessity comparatively (Dobbin, this volume), the delicate negotiations and “political exchanges” between governments, unions, and employers—a subject that especially interested political scientists, who began to consider the degree to which unions and industrial relations were organized in a “corporatist” manner as an important property of a society’s political system (see infra). Simultaneously, Fordism and Taylorism became concepts, not just for a particular stage in the expansion of mass markets or a specific organization of industrial work, but for the character of the totality of institutions governing labor markets and employment and organizing the capitalist economy in the postwar period, as especially in the French regulation school, which influenced many sociologists studying trade unions and industrial relations (Boyer 1986). Ex negativo, the two concepts figured prominently also in sociological work on Japan as a new industrial nation. In particular the writings of Ronald Dore (1986, 1987) had a major impact on the new economic sociology, with their analyses of the embeddedness of Japanese labor markets and hierarchical workplace relations in informal networks of relational contracting (see also Macaulay 1963) and in a capital market regime that corresponded to and supported the specific Japanese pattern of industrial relations and employment.

Since the 1970s the sociological study of trade unions became more than ever linked to a historical-institutionalist analysis of collective employment relations (for outstanding examples see Crouch 1993 and Thelen 1991). Trade unions are today
the subject of a wide variety of subdisciplines more or less close to a sociology of the economy. Sociologists, political scientists, and economists all discovered the politics of labor markets and employment and prominently included trade unions and industrial relations among its central actors and institutions. When class-theoretical approaches lost appeal and began to be contested by work on cross-class alliances (see infra), different varieties of trade unions, labor markets, and industrial relations systems came to be regarded as elements of different "models of capitalism," that is, different and competing institutional forms of a capitalist market economy with, supposedly, different comparative advantage and patterns of economic performance (Hall and Soskice 2001). Major themes of this literature are the limits and conditions of change in national systems of internally complementary economic institutions, and generally the evolution of such systems under the impact of common technological and economic challenges, in particular those related to internationalization. Once again, the core issue is convergence and divergence, and with it the general role of politics in the organization of the economy.

**Labor Markets and Trade Unions: Between Economy and Society**

Labor markets pull together labor supply and labor demand in contractual relations of employment (for a more extended definition see Tilly and Tilly 1994, 286). Trade unions act on both labor supply and labor demand, and they undertake to regulate the relations of employment between the two. Union action in all three dimensions is constrained as well as facilitated by the social and legal order enforced by the state and interacts with the state’s own interventions in the market economy (Solow 1990; see fig. 1).

The supply of free labor in a society—the quantity and quality of labor offered to employers at market price—depends on the social structure, for example, the relationship of households to the primary sector, on the distribution of income, on social norms governing preferences for income over leisure, the role of women in society, the educational system, provisions for social welfare, as well as on a wide range of other factors. Labor demand, in turn, is affected, among other things, by the size of product markets, available production technology, the organization of work—in particular prevailing patterns of horizontal division of labor and vertical authority at the workplace—and government economic and social policy.

The central institution of the labor market is the employment relationship, which in liberal societies since the end of feudal servitude is constituted by contract (Spencer [1873] 1961; Maine [1861] 1960). In a stylized account, with the progress of industrial society from early industrialization to the decades after World War II, the employment relationship as an institution has in most countries and sectors become less like a contract of work and more like a contract of employment (table 2). This corresponds to a shift from integration to separation of conception and execution, from "craft administration" (Stinchcombe 1959) of work to bureaucratic-hierarchical coordination, and from market coordination to coordination by organizational incentives inside firms (Sørensen 1994). In a contract of work, the employer pays a price for a

---

**Table 2. The Employment Relationship: Two Polar Types**

<table>
<thead>
<tr>
<th>Labor supply: structure of skills</th>
<th>Skilled: integration of conception and execution</th>
<th>Deskilled: separation of conception and execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor demand: organization of work</td>
<td>Project by project craft administration</td>
<td>Ongoing, bureaucratic administration</td>
</tr>
<tr>
<td>Labor contract</td>
<td>Sale of labor, price for completed project</td>
<td>Sale of labor power, wage for time available</td>
</tr>
</tbody>
</table>

**Figure 1.** Labor markets and trade unions in context
particular piece of work—a “job”—basically upon its completion. How the work is executed is left to its supplier, who essentially remains an independent subcontractor. After the work is done the relationship between the two sides ceases to exist; both are free to enter into new work relations depending on the requirements of the next job. In a contract of employment, by comparison, it is not a particular work task that is contracted for, but the availability of the worker to perform, within broad limits, any task assigned by the employer (Simon 1951). Wages are paid, not prices, and execution is separated from conception—which is in the hands of the employer and his agents. Discretion over what is done and how is transferred from worker to employer. Instead of a temporary association for the duration of a specific project, the employment relationship becomes an ongoing and, within limits, functionally diffuse organizational relationship. The person who was originally like an independent small businessman is turned into a dependent “wage earner.” In Marx’s terms, the sale of labor is succeeded by the sale of “labor power,” placing a person’s general capacity to create value at the disposal of its buyer.

The openness of the contract of employment is one of two main entry gates of sociology into the analysis of the labor market (the other being the structuration of the labor supply; see below). Not only the employment contract itself, but also its performance depends on noncontractual conditions (Durkheim [1893] 1964). Formal stipulations inevitably coexist with informal understandings, and instrumental action is and must be embedded in expressions of goodwill. Workers may shirk and employers exploit, but they also may not. Inside the organizational relationship that governs open contractual performance, skills may become idiosyncratic, making it difficult for workers to leave, while workers may become indispensable, making it difficult for employers to dismiss—both inserting particularistic social into universalistic economic relations. Trade unions act both as agents of explicit specification of contractual obligations, protecting workers from excessive demands on their labor power and making contractual performance easier to observe, and as guardians of trust in implicit and informal mutual commitments.

What has driven the transition from contracts of work to contracts of employment has been and continues to be much debated. It is clear that the transition was not universal and involved both a continuum, or spectrum, of intermediate forms and the survival of older forms in particular labor market segments, industrial sectors, and countries. Efficiency explanations emphasize the greater flexibility of contracts with unspecified, or less specified, content; their greater potential for “rationalization,” that is, for reorganization of work to reduce factor inputs; and generally their better fit with the factory system and with mass production aimed at exploiting economies of scale by standardizing products and processes (Williamson, Wachter, and Harris 1975). Theories of power and exploitation, by comparison, regard the move from contracts of work to contracts of employment as the outcome of a power struggle. By “deskilling” manual work, and “degrading” work in general, employers take the management of production away from the workers, and with it the value it creates. As the latter is appropriated by employers—or allocated in part to a factory hierarchy of professional managers loyal to the employer—the rate of exploitation increases (Braverman 1974).

With the contract of employment superseding the contract of work, a voluntary relationship between two independent parties, in line with liberal concepts of freedom and self-determination, blends into a relationship of authority and control, albeit contractually based. For both economists (Williamson, Wachter, and Harris 1975) and sociologists (Fox 1974), this transformation has posed an enduring puzzle. What for radical critics, many of them sociologists, was a subsumption of labor under the double despotism of market and factory (Burawoy 1983) led economists to model workers as risk-averse, that is, preferring a steady stream of income from a contract of employment to the uncertainties associated with managerial responsibilities and, in particular, with being paid out of the residual. For many economists it is this stylized “psychological” disposition that presumably makes workers prefer being controlled by others over exercising control themselves.

Labor supply and demand interact in numerous ways. Both are shaped by and affect a society’s status order. For example, educational systems anticipate the structure of labor demand, and employers try to get educational institutions and policies to deliver them the labor supply they want. In addition, individuals investing in skills make bets as to what skills may be demanded in the future. But educational systems may also be expected to reproduce an existing social order or, to the contrary, change it in the name of values such as equality of opportunity or living conditions. To this extent employers must make do with the labor supply they get, and learn to accommodate it in their or-
organization of work and the structure of authority at the workplace. For the Aix school of industrial sociology, educational systems, themselves products of long political struggles in a society over social integration and collective identity, are a major source of the "societal effect" that molds the organization of work in nationally distinctive ways (Maurice, Sorge, and Warner 1980; Maurice, Sellier, and Silvestre 1986b).

Central to sociological analyses of the labor market is the insight—sporadically rediscovered by mainstream economics (Williamson, Wachter, and Harris 1975)—that labor is a commodity with very special characteristics, and perhaps not really a commodity at all (Polanyi 1944 speaks of labor as of a "fictitious commodity"). On the surface this is indicated by its perverse, or backward-bending, supply function. Not only may the supply of labor decline as the price of labor increases, due to preferences for leisure over income in economic terms or, in sociological terms, to worker traditionalism in communities where work effort is determined by fixed needs, rather than needs expanding with growing opportunities (Marx [1867] 1984; Weber [1904] 1987). The supply of labor may also increase as wages decline, as a result of social or physical dependence of workers on a minimum level of income: if wages fall, workers cannot opt for leisure and wait for an improvement in relative prices since in between they need to pay their bills. At the bottom of this is the fact that labor as a commodity cannot be detached from the social and physical life of its seller. Another aspect of the social, personal, and physical embeddedness of labor is that its seller must be present in person while it is being used by its buyer, and indeed must actively collaborate in its use. The site of such collaboration is the firm as a social organization designed to extract labor from employed workers—which requires the workers' goodwill and cannot normally be done by despotic means alone (Burawoy 1983; Sorensen 1994). In fact in more complex production processes—or in Marxist language, in an advanced capitalist "labor process"—employers need some sort of legitimacy as wielders of authority (Bendix [1956] 1974) to mobilize normative commitment on the part of workers substituting for impracticable direct controls.10

Moreover, labor is not a homogenous good, and the labor of one person cannot always and easily be replaced with that of another. This gives rise to a subdivision of the labor market in more or less separate segments, forcing economists reluctantly to give up the simplifying assumption of one big market in which labor is competitively traded (Kerr 1954). In addition, as skill formation is tantamount to a process of socialization, differences in skill tend to be reflected in social identities and in social structures, that is, in divisions and relations between and within social groups. Vice versa, to the extent that differences between groups are linked to different kinds of "human capital," groups may defend their identities by monopolizing access to particular labor markets, especially if their human capital requires costly investment. Moreover, skills may be specific, or idiosyncratic, not just to social groups, but also to particular work relations and workplaces, in which case they are built up only in ongoing employment relationships. Due to their attachment to specific individuals and social relations, that is to say, the formation and utilization of skills takes place in much more particularistic and much less universalistic contexts than is captured by market models with their emphasis on impersonal competition.

This, in turn, is just another way of saying that the special characteristics of labor as a commodity give rise to inevitable imperfections of labor markets as markets.11 Ultimately the perverse supply function of labor—the fact that workers cannot wait in times of declining real wages for the price of labor to recover—raises the possibility of ruinous competition. In addition, to the extent that the supply of labor is enmeshed in social structures and identities, and thereby difficult to convert on short order, workers may be stuck with their human capital, enabling employers to bid down their wage by threatening them with unemployment. Again, while employers can wait until workers accede to their terms, workers cannot, or not as long. The same may happen if workers have developed "idiosyncratic" skills that they can sell only to one particular employer, or group of employers; as a result they may refrain from developing such skills altogether (Williamson 1988). While the many opportunities for opportunism offered by pure labor markets to employers make such markets inefficient from an economist's viewpoint, they make them unfair from the perspective of workers, due to a fundamental imbalance in the power of the two parties in the labor market. In the view of classical sociology, this asymmetry makes the free labor contract free only in form and on paper and turns it into a coercive, unequal contract unless corrected by proper social institutions (Durkheim [1893] 1964).

The formation of trade unions was a historical response to the perceived unfairness of markets for
labor or, in White’s terms, to the gap between economic allocation in labor markets and social valuation (White 2002b). Unions close this gap by trying to shape allocation so that it conforms to valuation, mobilizing collective action out of social structures in which resides, not just information on individuals’ economic utility, but also their commitment to social values. Political mobilization enables the sellers of labor to speak with one voice rather than with many, in the same way as the employer speaks with one voice. Collective action drawing on, representing, and defending the social identities and structures of the society supplying the labor, is to rectify the power imbalance inherent in fragmented competition between workers vitally dependent on employment. Unlike individual workers, labor as a corporate actor has the means to wait as long as the employer, and perhaps longer, and negotiate terms of exchange compatible with social life beyond the market and the social values that govern it.

Trade unions organize to make free labor markets fair through institutional safeguards that make them less like pure markets, especially by cartelization of the supply of labor. By limiting the reach of market relations into the social life of workers, unions contain the commodification of labor and thereby add to the imperfections of labor markets, making them less flexible by subjecting them to social regulation. At the same time, however, by suspending ruinous competition and creating institutions of contractual governance that protect workers’ investment in skills, unions overcome inherent imperfections of labor markets, making them work in the first place. They can thus be seen, and have been so seen, as agents of both suspension and perfection of labor markets, of decommodification as well as commodification of labor, of fairness as well as of efficiency. This is what made them suspicious to radical socialists like Marx, and acceptable to bourgeois economists like Brentano (1871–72). The double face of trade unions reflects the fact that, due to the inseparable attachment of labor to social actors, labor markets and work organizations can be more than minimally efficient only to the extent that they are governed by legitimate social institutions.11

In sum, far from being alien to free labor markets, unions—as agents of social regulation of contractual relations of employment—have from the beginning been essential to their operation. Unions embed labor markets in social institutions and integrate them in a society’s “moral economy” (Scott 1976): they make the market respect the connectedness of labor as a commodity to the physical and social life of its sellers, and ensure that the employment of labor remains compatible with the social norms and obligations to which workers are also subject. Unions promulgate social regulation of contractual relations in free labor markets to make them sufficiently predictable for participating individuals to support stable social identities and relations, and for individuals with stable identities and relations to participate in them. In this way unions try to set limits to what Polanyi (1944) calls the “satanic mill” of the market, preventing it from destroying the social fabric on which it depends for its continuing operation.

Collective action in pursuit of fairness and security protects labor from complete commodification and society from the vagaries of the market, making labor markets both socially legitimate and less than completely flexible. To make labor markets compatible with the moral economy of their members and their societies, different trade unions create different types of market rigidities. How much flexibility these leave, and must leave, for adjustment of firms and industries in a modern economy is a matter of debate—one that ultimately reflects the fundamental tension between the dynamism of a capitalist economy and the need for stability of social relations. Whereas economists tend to believe the best rigidities to be no rigidities, sociologists insist that there cannot be economic flexibility without social rigidity, and distinguish if at all between different sorts of more or less “flexible rigidities” (Dore 1986). Unions impose rigidities on labor markets in basically three ways: by trying to control the supply of labor, by trying to match the demand for labor to its supply, and by enforcing standardized contractual conditions on workers and employers.

**Labor Supply**

Unions are cartels of sellers of labor, exempt in all Western societies from even the strictest antitrust laws, in implicit recognition of the special characteristics of labor as a commodity. Enabling workers to speak with a collective voice, unions replace individual with collective contracts and thereby correct the imbalance of power that distorts individual bargains between workers and employers. Unions furthermore control the amount of labor employers can extract from workers, by setting and enforcing minimum wages and maximum hours. To do so, unions must be able temporarily to boycott employers by coercively cutting off their labor supply. This, too, has come to be
widely accepted, even in the law of the United States, as a necessary and legitimate means to make labor markets less unfair.

Another dimension in which unions intervene in the supply of labor is skill formation. Here, diverse and complex bargains have emerged in different societies between organized labor on the one hand and the state and employers on the other. In some countries and industries, unions control industrial training and command a capacity to limit access to it, so as to drive up the price of skilled manual labor. In part this follows the model of the liberal professions. Elsewhere unions have to the contrary urged employers and the state to promote training, as a precondition for them to compress wage differentials; in such countries control over training is shared, with more or less union involvement. Important cross-national differences exist with respect to the role of apprenticeship in relation to public secondary and tertiary education, and to the role of unions, employers, and the state in the governance of apprenticeship (Crouch, Finegold, and Sako 1995). Differences in national systems of human capital formation are, in turn, related to differences in industrial capabilities and comparative advantage, in patterns of social stratification and social mobility, in the life courses of individuals, in political power structures, and in prevailing ideas about social justice, equality, freedom of choice, individual achievement, and so on (Maurice, Sellier, and Silvestre 1986a).

Third, unions often try to institutionalize rules of access to employment, based on a variety of criteria well beyond ability to do a job. Getting employers and the state to agree to limiting the pool of applicants for a particular sort of jobs, or hiring applicants only in a particular order, helps to eliminate cutthroat competition among workers. A wide variety of institutions have been invented, like hiring halls—sometimes run by the unions themselves—or the seniority principle, to introduce into otherwise chaotic or exploitative labor markets a sort of order that workers can accept as fair. Rules of access also protect workers' investment in skills where labor markets are "balkanized" (Kerr 1954) by barriers of entry that allow employers to hire only skilled workers for skilled jobs. In the literature, occupational labor markets, where access to employment is limited to people who certifiably belong to a particular skilled occupation, are distinguished from unskilled general labor markets, where access is free, and from the internal labor markets of large firms, where access to positions above entry-level is confined to those already employed, and where priority for employment is given to "laid-off" former employees (for various typologies see Doeringer and Piore 1971; Edwards, Reich, and Gordon 1979; Dunlop 1994; Osterman 1984; Kerr 1954). Whereas occupational labor markets protect transportable skills that are of use to more than one employer, internal labor markets protect workplace-specific skills that are built up on the job. Access rules may also be designed to protect the existence of the union as an organization if employment, in either occupational or internal labor markets, is made conditional on trade union membership (pre- or postentry closed shop). To economists, even before the final victory of neoclassical theory, institutionalized access rules in segmented labor markets represent a threat to both liberty and efficiency, even though it is sometimes grudgingly recognized that they may be a necessary condition for investment in skills, if not for a minimum of security and stability in the personal lives of workers (Kerr 1954).13

Fourth, unions can regulate the supply of labor by limiting working time—the locus classicus being Marx's chapter in Capital on the "Working Day" (Marx [1867] 1984)—and indirectly through all sorts of public policies, especially on taxation, pensions, and welfare benefits. Depending on how families are taxed, incentives for women to enter the labor market vary between countries and over time. By changing the mandatory age of retirement, governments may increase or reduce the labor supply, with unions often pressing for the latter especially in periods of high unemployment (Ebbinghaus 2001). Welfare state intervention, in the form of social assistance or unemployment benefits, creates a floor under labor markets that determines the minimum wage workers must be offered to be available for employment (the "reservation wage"). Unions' involvement in social policy, including the administration of public unemployment insurance and labor market policies, enables them to lower the economic pressure on workers to accept offers of employment that do not fit their skills or their economic needs, or that undercut current minimum standards of employed workers.

Labor Demand

Unions intervene also on the demand side of the labor market, trying to adjust demand to supply to save their members from having to adjust the supply of their labor to rapidly and erratically changing demand. Unions as political actors exert pressure, electoral and other, on governments for an economic policy that supports a high level of em-
employment. In the period after World War II, this was to be accomplished primarily by Keynesian methods of aggregate demand management. Unions also sometimes support government programs to make employers hire workers that they would otherwise not have hired, to create more equal opportunities for immigrants and groups like women, disabled workers, or the long-term unemployed. At micro level, various forms of employment protection, based in law or collective agreement, are to shield workers from short-term market fluctuations and make their income more predictable. Again, due to the social closure that inevitably comes with collective organization, conflicts may arise between workers that are employed and protected, and workers seeking employment and willing to undercut existing employment conditions, even to a point where competition becomes ruinous.

Also to influence labor demand, unions intervene in the organization of work. In internal labor markets unions press for as many jobs as possible to be so designed that they can be filled by applicants one level lower in the hierarchy and next in the chain of promotion. By comparison, in occupational labor markets with lateral entry points, unions representing workers with transportable skills must see to it that these are matched by job descriptions. This requires that the division of labor is and remains similar in different workplaces, based on the training workers have received and the sort of labor they are therefore able to supply. In the extreme cases of Anglo-American craft unionism, this resulted in collective agreements under which skilled jobs were to be done, not just by skilled workers only, but in ways that matched the skills they had—putting sometimes severe obstacles in the way of technological and organizational progress. Conflicts over “managerial prerogative” with respect to work organization and technology tended to be particularly acrimonious in countries like Britain where occupational skills were narrow and fragmented, and where work was monitored on the basis of specific tasks and allocated to distinct “job territories” defined by “tools of the trade” (Flanders 1970). By comparison, identification of job demands on the basis of worker skills seems less inflexible where monitoring is by broad functions or procedures rather than tasks, and work is allocated on the basis of qualification instead of job territory (Marsden 1999).

The Employment Relationship

Trade unions were major contributors to the transformation of employment from a spot market contract to an ongoing organizational relationship, or from a contract of work to a contract of employment. This was so especially in the post–World War II period, notwithstanding significant rear-guard struggles by some unions to defend craft autonomy and by some employers to defend hiring and firing “at will.” The institutionalization of the modern “wage nexus,” as it eventually came to pass in all industrialized countries, albeit with significant national differences, established a sharp binary distinction between dependent employment and independent self-employment, taking the place of what had been a broad spectrum of contractual forms in between the two. It also involved recognition of a broad zone of managerial discretion in exchange for various forms of protection of workers from economic risk. This development was supported in most countries by the evolution of labor law as a subarea of contract law, spelling out special rights and obligations of the parties to an employment contract, and of the welfare state and its rules of eligibility to social insurance, for example, unemployment benefits.

Trade unions above all pressed for standardization of employment contracts, to protect workers from uncertainty, simplify collective regulation, decouple the economic situation of workers from that of their employing organization, and suspend as much as possible competition between workers, so as to enable them to act in solidarity. Standardization involved explicit and agreed definitions of normal effort, normal hours, and normal pay, guaranteeing employers reliable performance of predictable routine tasks at an average level of effort. Standardization was also associated with strict distinctions between work and nonwork, making work effort easy to measure for employer and employee alike, as well as for the union as the guardian of the wage-effort bargain. Generally unions tried to make explicit and formalize as many of the implicit and informal elements of the contract of employment as possible, so as to make employer demands on workers predictable and worker performance easier to measure, leaving as little space for employer judgment as possible.

All in all, unions introduced in the open employment contract elements of status rights for workers and status obligations for employers (Tannenbaum 1964). Status elements that in the name of “industrial justice” (Selznick 1969) entered into the individual employment contract, regardless of whether its parties would have elected them, included rights to employment protection, or at least to notice before dismissal, to unionization and
workplace representation, and to individual and collective information, consultation and, in some countries, shared decision-making (Streeck 1992). To some extent, the introduction of public duties in the private employment contract had an international dimension, as it was, from as early as 1918 on, propagated worldwide by the International Labor Organization (ILO), a tripartite international organization older than the League of Nations or the United Nations.

The evolution of the open contract of dependent employment was tantamount to its infusion with institutional mechanisms of joint regulation (Dunlop [1958] 1993) of terms of exchange that can be specified ex ante only at heavy losses of efficiency. From the perspective of unions, joint regulation represented a necessary complement to managerial prerogative and was a precondition for fairness in unspecified contracts. (Even in the United States, nonunion settings for a long time followed the lead of the unionized sector and mimicked its regulations, if not its institutions; Jacoby 1990.) Joint regulation gave workers “voice” where “exit” would be too risky or costly in terms of other, stickier social relations. It also increased predictability, substituting for worker control over conception, and made the operation of free labor markets and open employment contracts compatible with standards of fairness, that is, with consideration of other than economic needs and values of workers.

As the unionization of labor markets and the standardization of the employment relationship proceeded, questions were asked whether socially regulated labor markets were flexible enough to adjust in time to changes in demand and technology. Some authors suspect that regulated employment in the “primary” labor market is possible only when complemented by unregulated, nonstandard, and contingent employment in a “secondary,” nonunionized labor market, with “dualism” restoring the flexibility that social regulation had ended (Berger and Piore 1980). The implication is that in a market economy, reduction of economic uncertainty for some will inevitably increase uncertainty for others in weaker market or political positions, with the lines of division differing from society to society. Today, those demanding liberalization of labor markets doubt that workers, especially those with advanced human capital, are necessarily at a disadvantage in relation to employers and therefore stand to benefit from collective regulation and standardization of employment conditions. Building on theories of labor market dualism and segmentation, social protection of the employed is blamed in European welfare states for long-term unemployment and the growing gap between the employed and the unemployed. Advocates of liberalization support, together with de-standardization and customization of employment conditions, a reallocation of economic risk between employers and workers, with the latter assuming more responsibility for economic outcomes, not least in the form of more contingent pay (Weitzmann 1984). By reintroducing elements of self-employment into dependent employment, this would blur the distinction between the two that was one of the hallmarks of the social order of industrial society.

A Typology of Trade Unions and Labor Markets

The first modern trade unions were formed at a time when employment was still governed mainly by contracts of work (von Beyme 1977; Katzenelson and Zolberg 1986; Kendall 1975). By the middle of the nineteenth century craft unions had in most countries superseded the early, often anarchic protest movements of the “working poor.” They organized skilled workers that were hard to distinguish from independent craftsmen, and operated much like cartels of small business firms. Craft unions often unilaterally set prices for specified jobs, rather than negotiating wages with employers. Like the guilds whose traditions they inherited, craft unions were socially and economically exclusive in that they tried to reserve market access to workers they had themselves trained. Control over training translated into control over work organization, where craft unions often succeeded in making employers organize production in ways that fitted their members’ skills (“job control”). Challenged by liberal free trade policies, craft unions were eventually tolerated, especially where they remained politically indifferent or turned against socialist radicalism. In Germany under Bismarck, independent craftsmen were saved from “proletarianization” by protective legislation for small business, securing the government the unwavering support of a strong Mittelstand.

In early industrializing countries with liberal politics, such as Britain and the United States, craft unions managed to establish themselves in the second half of the nineteenth century as organizations of an aristocracy of labor. Industrialization and the advance of the factory system proceeded only slowly, and continuity with earlier guild traditions remained strong. Early extension of the franchise, in the United States even before the onset of in-
Industrialization, enabled unions to gain organizing rights by political pressure and through favorable legislation exempting them from free trade rules (Marks 1989). With ample opportunities to pursue their economic interests through collective action in the marketplace, and without first having to defeat an authoritarian state to get legal recognition, craft unions tended toward liberal politics and opposed socialist anticapitalism. Once established, they resisted bureaucratization of work organization and defended the unity of conception and execution against deskilling. In this way they delayed the advance of the modern factory and within it preserved elements of craft organization, such as the “gang system” under which employers contracted for specific jobs with a foreman who received a lump sum that he divided with his crew. As the employment relationship began to assume the form of a contract of employment, gang leaders turned into shop stewards organizing worker resistance against management and insisting on strict rules of job control to facilitate entry and exit of their members in and from different places of employment. Craft particularism also resulted in demarcation of “job territories” and gave rise to “restrictive practices” that well into the period after World War II compelled employers to adjust their technology and work organization to the skills of their workers, rather than vice versa (see Marsden 1999 on “employment systems”).

In countries with established craft unions, unskilled labor became organized on a large scale only at the turn of the century, in a second wave of unionization. General unions, sometimes also called industrial unions, aimed at organizing all workers in a workplace or industry; in fact, given the already existing unions of the skilled, they mostly remained organizations of unskilled laborers. Since these could easily be exchanged for one another, they commanded little market power and were unable to exercise the same control over labor markets as craft unions. Typically they depended for their organization on the assistance of progressive political or religious movements, and for their operation on mass strikes and supportive political intervention. Often general unions were politically radical, like the Industrial Workers of the World (the “Wobblies”), which in the United States came closest to the anarcho-syndicalist unions of several European countries at the time. In a hostile political environment, general unions with their lack of economic clout were easy to suppress and, like the Wobblies, often became targets of violent persecution.

As the factory system spread, general unions gained in importance even in countries where there already was a union movement dominated by craft unions. In the United States, the Congress of Industrial Organizations (CIO) organized factory workers, miners, and longshoremen, sometimes against craft resistance, and grew in strength during the New Deal. Only reluctantly it was accepted by the craft-based American Federation of Labor (AFL), with which it later formed an uneasy alliance. Over time general unions in craft-dominated environments adapted elements of the modus operandi of their predecessors, resulting in job control practices—based on seniority rather than job territory—and in internal labor markets and the layoff system. In addition they undertook to strengthen the political clout of labor, to compensate for their lack of economic power. In Britain, it was mainly the general unions that were behind the foundation of the Labour Party, while the older craft unions were happy supporting the Liberals.

In late industrializing countries the advance of the factory system was faster and often proceeded under the guidance of authoritarian political regimes. They refused unions a right to organize, in the name of rapid modernization of their societies and anxious not to fall behind in international economic and military competition (Marks 1989). Guilds were abolished, and craft unions had little time to get established. Union organizing rights had to be won politically, which presupposed extension of the suffrage. Unions developed as part of a labor movement with a political and an industrial wing, the former dominating the latter at least until the achievement of democratization. As the beginnings of unionization coincided with the arrival of large factories, unions organized on a class or industrial basis, encompassing workers of all skills and trades and thereby redistributing and equalizing bargaining power between stronger and weaker sections of the workforce. Industrial unions were also often associated with political parties, of a socialist or Roman Catholic complexion. If they were fragmented, they were so by political affiliation rather than by occupation, reflecting the dominant political and social cleavages of their countries (Ebbinghaus 1995; Rokkan 1968).

Early alliances of industrial unions with political parties prefigured the various patterns of political unionism that emerged after democratization and laid the foundation for the evolving symbiosis of modern trade unions with the modern nation-state (Bartolini 2000; Streeck and Hassel 2003; Taylor 1989; Valenzuela 1992). Reflecting their origins as well as their heterogeneous membership that in-
cluded mass workers with little economic power, industrial unions adhered to broader and more universalistic definitions of worker interest that could not be satisfied by industrial action alone. Strategically combining action in the political and industrial arenas, industrial unions were less than craft unions attached to free collective bargaining as the only mode of trade union activity. In addition they relied on favorable state intervention secured through political allies, not just for the protection of their organizations but also for a social policy that generalized social progress beyond individual occupations or the membership of trade unions.

At the workplace, industrial unions were willing to compromise with a bureaucratic factory regime, as long as they managed to circumscribe managerial prerogative by general rules in law or collective agreement. As in the political arena, where they favored social policies that benefited all citizens, industrial unions tried to equalize the pay and the employment status of workers as much as possible. Organizing across trades, they had little use for job control; and organizing industry-wide across employers, they preferred centralized collective bargaining to make the economic situation of workers as independent from that of their employer as possible. Rather than challenging the right of employers to reorganize work and introduce new technology, industrial unions defended the occupational skills of their members through involvement in industrial training and public labor market policy, and their workplace-specific skills by pressing for legal employment protection.

Political-industrial unionism, with its preferences for the standardization of employment contracts and of the relationship between skill, effort, and pay, turned out to be highly compatible with the bureaucratic-hierarchical management of “Fordist” work organizations. At the heart of what might be called the Fordist compromise between large mass production firms and broad-based industrial trade unions was the acceptance of negotiated flexibility by workers in exchange for standardization of employment and working conditions within and across firms as well as over time, insulating workers and their families from market fluctuations and giving them as much economic security as a free labor market can sustain. Unlike craft and general unions, industrial unions in Continental Europe conceded to firms high internal flexibility in the deployment of labor, as long as it was compensated by external rigidity in the form of employment security and by rights to information and consultation, and sometimes shared decision-making, enabling unions to influence employers’ management of labor (“industrial democracy”; Rogers and Streeck 1995).

In countries where political democracy arrived much after industrialization, as in Japan and other Asian countries, unions organized, if at all, as enterprise unions. Like industrial unions, enterprise unions organize all workers in a given workplace; unlike them, their domain is confined to one employer only. Historically, enterprise unions reflect an early loss of craft independence and a capture of skilled workers in internal labor markets, at a time when unionization was still suppressed. Japanese internal labor markets are based, not on the power of unions, but on an agreement among large firms to combat the fluctuation of skilled labor by hiring at entry level only. This made it de facto impossible for workers to quit, while making dismissal for disciplinary reasons a severe sanction in the hands of employers. In the period after World War II, the bonding of workers to their employer was reinforced by a seniority wage system that pays young workers below their productivity in exchange for payment above productivity in their older years. To protect workers against employer opportunism, enterprise unions and large Japanese companies, after intense conflicts, agreed on a largely informal system of “lifetime employment.” This forms the capstone of the integration of workers in the “enterprise community” of large Japanese firms, and its vigorous defense constitutes the main raison d’être of enterprise unions. Together enterprise unionism, the seniority wage system, and lifetime employment make for unique flexibility of firms in the internal deployment of labor, due to complete detachment of the organization of work from occupational skills and an unlimited possibility for managements to deploy broad general and high workplace-specific skills in optimal combination (Aoki 1988).

Enterprise unions derive their organizational security primarily from employer recognition. In Japan in the 1950s and 1960s, firms that found their unions too radical managed to replace them with more compliant “second unions.” Reflecting the structure of Japanese labor markets, enterprise unions have only weak links across workplace boundaries, to political parties or union confederations. Most of the functions performed in Europe by public policy and the welfare state are in Japan internalized in the private welfare regimes of large firms, including large parts of social security and, of course, employment protection and labor market policy. Unions there-
Table 3. Types of Trade Unions, Labor Markets, Employment Relations, and Political Action

<table>
<thead>
<tr>
<th>Skills</th>
<th>Union Structure</th>
<th>Work Organization</th>
<th>Labor Market</th>
<th>Employment</th>
<th>Union Security</th>
<th>Political Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craft union</td>
<td>Skilled, transportable, union-controlled</td>
<td>Particularistic, fragmented by trade</td>
<td>External, occupational</td>
<td>Job by job</td>
<td>Preentry, postentry</td>
<td>Voluntarism, “free collective bargaining”</td>
</tr>
<tr>
<td>General union</td>
<td>Unskilled</td>
<td>Incompletely encompassing</td>
<td>Bureaucracy, job control and seniority</td>
<td>Mainly external, general</td>
<td>Postentry</td>
<td>Limited, due to voluntaristic tradition</td>
</tr>
<tr>
<td>Industrial union</td>
<td>All skills, workplace-specific, contested control</td>
<td>Encompassing, “class-based”</td>
<td>Bureaucracy, negotiated flexibility</td>
<td>External-occupational and internal</td>
<td>Protected</td>
<td>Political and industrial action in different combinations, tripartism</td>
</tr>
<tr>
<td>Enterprise union</td>
<td>All skills, workplace-specific, employer-controlled</td>
<td>“Enterprise community”</td>
<td>Bureaucracy, autonomous working groups</td>
<td>Internal</td>
<td>Lifetime</td>
<td>“Enterprise community”</td>
</tr>
</tbody>
</table>

fore have little reason to get involved in the public sphere. There is also little connection between union activities at the workplace and the political activities of national confederations, which have a postwar history of extreme instability. Mostly this was due to their radical-leftist politics and the unending factional struggles to which the former gave rise, reflecting both the marginal political status of union confederations and their lack of rapport with affiliated enterprise unions.

Unions in Politics

Different types of unions rely to different degrees and in different ways on the state for their organizational survival ("union security") and for political support in regulating labor supply, labor demand, and the employment relationship (for many others see Bean 1995; table 3). Craft unions and, forced by circumstances, general unions in craft-dominated environments adhere to a voluntaristic mode of action based on fragmented sectional organization and free collective bargaining. Apart perhaps from political and legal guarantees of the right to organize, voluntaristic unionism favors state abstention from the regulation of labor markets and employment. Negotiated “fringe benefits” are preferred over legislated welfare entitlements, not least since the latter are available also to nonmembers. Lasting suspicion of a liberal state unlikely to offer unions more than reluctant toleration makes state-free voluntary organization backed by sectional market power appear the most reliable basis for effective representation of workers. In the twentieth century, early dominance of craft unionism typically issued in adversarial, fragmented, “pluralist” patterns of industrial relations, with a tendency toward multiunionism and competitive bargaining. Adversarial industrial relations combined with a minimalist liberal welfare state (Esping-Andersen 1990) that left trade unions with strong bargaining power space to negotiate significant additional benefits for their members.

Industrial unionism, by comparison, goes together with broad and heterogeneous organization. Not beholden to a well-to-do labor aristocracy and typically aligned with progressive political parties, industrial unions tended to be receptive to egalitarian ideologies, which made them support erga omnes extension of collective agreements and universalistic social policies benefiting all members of the working class and, indeed, the citizenry as a whole. At the same time, regarding themselves and wanting to be regarded as representatives, not just of their members, but of all workers in their industry or society, political-industrial unions faced difficult free-rider problems. This forced them to base their organizational security in large part on legal rights and political support, such as state facilitation of collective bargaining or corporatist participation in the administration of vocational training or public social security funds.
From early on, industrial unions had to define and continuously redefine a delicate balance between industrial and political action, collective bargaining and social policy, benefits for their members and welfare state provisions for citizens, and independent organizing capacities and state support. The result differed considerably between countries and over time, although generally it involved a “sharing of public spaces” between unions and the state (Crouch 1993). In Scandinavia politically undivided industrial unions remained closely linked into an equally politically unified socialist labor movement that managed to establish lasting political hegemony over its bourgeois opposition. This issued in a combination of a social-democratic, universalistic welfare state guaranteeing citizens a high “social wage,” with state-free but highly centralized and economically responsible collective bargaining, which was in turn underpinned by an extensive active labor market policy. Lasting control of the labor movement over the power resources of the state enabled Swedish unions to accomplish their objectives by means of “democratic class struggle”—through elections and government policies—and without much industrial conflict (Korpi 1983).

On the European Continent, by comparison, unions were for a long time divided as the representation of the religious and political cleavages of their time of origin in their organizational structures “froze” (Ebbinghaus and Visser 2000). In addition, socialist movements split during World War I and in the interwar period. Where political divisions among unions survived, as in the countries of the Mediterranean, where late industrialization limited the opportunities for independent collective bargaining, industrial relations tended to become a vehicle of general political confrontation and contestation, with union activities often subservient to the strategies and tactics of the parties to which they were aligned. Due to conservative political dominance, the emerging welfare states of these countries also differed from the Scandinavian type in that they supported the traditional family system and were designed to preserve rather than eliminate traditional status differentials.

Conservative welfare states formed also in countries like Germany and the Netherlands, where strong Catholic influence coincided with lasting divisions among unions along religious and political lines and stood in the way of political hegemony of social democratic parties. Still, after World War II, as national economies and societies were rebuilt and religious and political cleavages attenuated, industrial relations became corporatist and cooperative. Trade unionism, just as in Sweden and, with time, in Italy, became accepted as a central pillar of the emerging “coordinated market economy” of the postwar settlement outside the Anglo-American world. In Germany, the right to free collective bargaining became enshrined in the constitution, assigning a major role in economic policymaking to unions and employer associations in spite of a basically conservative political environment.

Political-industrial unionism in its various permutations was one of the foundations of the “democratic corporatism” of the 1970s and 1980s (Wilensky 2002): a labor-inclusive political regime featuring parliamentary democracy, strong social democratic parties, centralized trade unions and employer associations, tripartite economic policymaking in a negotiated economy, and an extensive social welfare state. From the perspective of pluralist democratic theory, centralized and monopolistic interest associations, including trade unions, as they existed in a number of countries outside the Anglo-American world, appeared to be an empirical anomaly in need of explanation and justification. Gerhard Lehmbruch’s work on “liberal corporatism” showed that corporatist interest representation was not only compatible with liberal democracy but, like other nonmajoritarian provisions in democratic systems, helped societies live with deeply rooted social and political cleavages (Lehmbruch 1974, 1977). Similarly, Philippe Schmitter’s work on “neocorporatism” emphasized the contribution of a highly organized civil society to the governability of modern democracies (Schmitter 1974). Essentially, corporatist integration of trade unions in the political economies of the time included participation in tripartite national policymaking, also referred to as “concertation” and dealing especially with incomes policies, as well as in subnational parastate institutions of functional self-government, such as labor market policy boards or social insurance funds (for a general overview see Streeck and Kenworthy 2003). Both represented different versions of compromise between government policy and collective bargaining, and between political parties and trade unions. In retrospect, the neocorporatism of the 1970s and 1980s represented the high point of the inclusion of organized labor in the political and economic governance of the modern nation-state (Goldthorpe 1984).

Finally, in Japan enterprise unions remained nonpolitical, the ideological battles among their national federations notwithstanding, and their or-
ganizational security continued to depend on voluntary recognition by employers. In this they resembled American unions, just as the minimalist welfare state of Japan resembled the liberal welfare state of the United States. Industrial relations were, however, cooperative rather than adversarial, reflecting the community of fate between workers and employers in strictly demarcated internal labor markets. In addition, unlike Anglo-American countries Japan is a coordinated market economy that, however, differs from Continental Europe and Scandinavia in that coordination takes place largely through the state at the exclusion of unions. But as enterprise unions are inseparably linked to lifetime employment, which remains the cornerstone of social peace in Japan in the absence of a functioning external labor market and a more than minimal public welfare state, Japanese unions seem for the time being safely established in large firms even without party-political or legal backing.

As Ebbinghaus shows after careful examination of current typologies (2002a, 89), types of trade unions and industrial relations are linked to different types of welfare states (“regimes of social protection”) and different models of capitalism (“regimes of production”), but only imperfectly. Cooperative industrial relations are likely to occur only in nonliberal coordinated market economies (Japan, Scandinavia, Germany, and the Netherlands), but in some such economies, like France and Italy, industrial relations are politically polarized and contested. Voluntaristic industrial relations emphasizing free collective bargaining and state abstention exist only in liberal capitalism and come together with liberal-residual welfare states (Japan, Scandinavia, Germany, and the Netherlands), but in some such economies, like France and Italy, industrial relations are politically polarized and contested. Voluntaristic industrial relations emphasizing free collective bargaining and state abstention exist only in liberal capitalism and come together with liberal-residual welfare states (Britain, Ireland, the United States). But in one country, Japan, a liberal-residual welfare state coexists with cooperative industrial relations and a nonliberal production regime. Finally, cooperative industrial relations based on political-industrial trade unions rather than enterprise unions, while always combined with nonliberal production regimes, may exist alongside either a conservative welfare state where economic coordination takes place on a sectoral level (Germany, the Netherlands), or a universalistic welfare state where the economy is centrally coordinated (Sweden, Denmark).

### Unions in the Economy

There is a broad literature on the economic effects of trade unions. Generally unionization is regarded as ambivalent for economic performance. Research and theory know positive and negative effects of union organization and action, at both micro and macro level. In some accounts the positive effects cannot be had without the negative ones, making the true effect of unionism highly contingent on economic and social circumstances (table 4).

As pointed out above, at the micro level of the firm, formalization of rights and obligations limits the flexibility of open employment contracts. At the same time, it is only through some form of regulation, joint or otherwise, that open contracts of employment are compatible with workers having trust in the employer—which in turn is a condition of informal cooperation in pursuit of higher productivity. Of course low trust may also be a cause of unionization, just as unionization may destroy paternalistic understandings of mutual obligations of employers and employees (Fox 1974). At macro level, collective bargaining, to the extent that its results differ from those that a free market would generate, may cause inefficient factor allocation, as evidenced in inflation, unemployment, and low growth. But a high price of labor may also force employers to increase productivity, with collective bargaining as in the Swedish model of the 1960s and 1970s operating as a “productivity whip” (Gourevitch et al. 1984). High and equal wages may also serve as a “benevolent constraint,” making employers invest in skill and sophisticated quality products (Streeck 1991).

The economic literature offers two basic models to understand the economic effects of trade unions, Olson’s theory of collective action (1971) and the exit-and-voice model suggested originally by Freeman and Medoff (1984). The former has been particularly attractive to sociologists and political scientists as it seems to make, not just the economic effects of trade unions, but also the substantive interests represented by them contingent on unions’ organizational form. The fundamental distinction is between fragmented and encompassing organization, and the key factor is the strategic capacity of collective actors to internalize the ex-

---

### Table 4. A Schematic Presentation of the Economic Effects of Trade Unions

<table>
<thead>
<tr>
<th>Micro level</th>
<th>Macro level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positive Effects</strong></td>
<td><strong>Negative Effects</strong></td>
</tr>
<tr>
<td>High trust, productivity</td>
<td>Low trust, rigidity</td>
</tr>
<tr>
<td>Wage moderation, stable growth</td>
<td>Distributional conflict, disequilibrium</td>
</tr>
</tbody>
</table>

---

The table above presents a schematic framework to understand the economic effects of trade unions. At the micro level, high trust and productivity are positively linked with union presence, while at the macro level, wage moderation and stable growth are associated with positive outcomes. Conversely, low trust and rigidity along with distributional conflict and disequilibrium are indicative of negative effects.
ternal costs of what they do. The logic is the same at the micro as at the macro level. At the former, small unions of craft workers stand to lose more from technological change diminishing their status and diluting their skills than what would be their share in the common gain from restructuring and higher productivity. Encompassing industrial unions, by comparison, would internalize the losses suffered by the majority as a result of “restrictive practices” benefiting a small minority. Their membership, being broadly based and heterogeneous, would on average benefit from higher productivity.

Basically the same holds for the national level, where narrow unions, or interest groups in general, have an incentive to behave like “distributional coalitions” at the expense of the common good. Encompassing groups, by comparison, tend to identify with the common good out of their own self-interest (Olson 1982, 1983). For this reason they will do what they can to promote stable growth by, for example, not asking for excessive wage increases making for inefficient allocation and lost growth. While for Olson encompassing organization is only a second-best solution compared to free market allocation, his theory was much welcomed by proponents of centralized wage bargaining in a neocorporatist framework. Indeed there are, or were for some time, good reasons to argue that with centralized setting of a society-wide wage norm inflation is easier to contain than with decentralized bargaining (Calmfors 1993; Calmfors and Driffill 1988; Flanagan, Soskice, and Ulman 1983; Kenworthy 1996; Newell and Symons 1987; Soskice 1990; Ulman and Flanagan 1971). Decentralized wage setting runs into the same collective action problems as interest representation by craft unions on the supply side and tends to become competitive and sectional, in the way of a prisoner’s dilemma game. The advantages of centralized wage bargaining seem to prevail even in countries with an independent central bank and seemed to last well into the 1990s (Streeck and Hassel 2003).

Freeman and Medoff’s general model of the economic effects of trade unions focuses on the micro level and builds on Hirschmann’s distinction between “voice” and exit as two alternative expressions of dissatisfaction. Where there are no unions, the only safe way for workers to express discontent with management is by quitting. But labor turnover is expensive as workplace-specific human capital is lost and the costs of searching for replacements are high. Freeman and Medoff show empirically that in the United States, turnover is lower in unionized firms, while productivity is higher. To them this indicates that disgruntled workers in unionized workplaces can settle their grievances by speaking through their union, and that settling such grievances increases worker satisfaction, resulting not just in lower turnover but also in better work. The model emphasizes the importance of socially accepted channels of communication for mutual trust, and thus for extended exchanges like the cooperation of workers to improving productivity. From here it is short way to what one might call an economics of cooperation (Kenworthy 1995; see also Leibenstein 1987). The drawback is that, while unionized firms in which workers have voice are more productive than nonunionized firms, they are also less profitable due to the redistributive activities in which unions also engage (Freeman and Medoff 1984). The macroeconomic consequences are likely to be conditional on a wide variety of factors.

A final model of unions’ economic effects may be derived from John R. Commons’s insight in his History of Labor in the United States (1919–35) that unions can distort market allocation of wages in line with collective norms of fairness only where they organize all firms supplying a given product market. Where this is not the case, the wage bargain comes under market pressure. So, one can add, does the union, which may be constrained to shift from a distributional and antagonistic to a cooperative stance, entering in a cross-class alliance with the employers that it organizes against those employers that are outside its jurisdiction. Such collaboration may be either protectionist or productivist. The Japanese firm, as a competitive community of economic fate, is one example of this, and others are unions in small countries or export-dependent sectors. In sites like these, the class interests represented by unions become confounded with producer or sectoral interests shared with employers, resulting in joint pursuit of higher productivity and competitiveness. In recent years, with the economy becoming more international, this seems to have become even more widespread than in the past. Industrial cross-class alliances are similar to political cross-class alliances, for example in the creation of the welfare state, as they have recently been discovered almost everywhere by a revisionist strand of social policy research. The attempt is to show that the modern welfare state is not so much a distributive achievement of the organized working class, as a joint construction, mostly inspired by employers responding to the natural imperfections of labor markets, to make
In addition, enlisted soldiers had to be promised a union, which in many countries came to be ployers, was greatly advanced by the two world movements of World War I and the revolutions following it, in the Soviet Union and elsewhere. The golden age of capitalism after 1945 saw the worldwide ascendance of a "mature" type of union (Lester 1958), centralized at the level of the national state and representing the interests of union members simultaneously through collective bargaining and political-electoral lobbying within the confines of capitalism and parliamentary democracy. This development was part of the consolidation of democratic capitalism and the nation-state in the countries under American hegemony, where legal recognition of unions and free collective bargaining, extensive social welfare provision, a sizable public sector, and politically guaranteed full employment made possible the coexistence of liberal democracy and a market economy. The normalization of unionism under "embedded liberalism" (Ruggie 1982) coincided with national regulation and standardization of the employment relationship and the social status of wage earners, which in turn corresponded to the advance of industrial mass-production. Legal and political regulation of labor markets, introduced to insulate employment and employment conditions as much as possible from economic fluctuations, reinforced union power. The economic and political role of unions appeared clearly defined and securely established in a Fordist economy generating continuing growth based on economics of scale and on steadily expanding mass consumption fueled by yearly increases in real wages; organized on a sharp categoric distinction between a majority of dependent wage earners and a minority of employers; and gradually restructuring from small companies to

**The Rise and Decline of Trade Unions**

Unions emerged in conflict with economic liberalism and political authoritarianism, striving simultaneously for economic regulation and political freedom. As a result they were originally treated as conspiracies against free trade, the state, or both. But as unions established themselves as effective labor market cartels, they also became suppliers of labor to those employers willing to deal with them, and in this capacity slowly turned into "managers of industrial discontent" (Flanders 1970). Similarly, while unions represented the interests of a class often opposed to the advance of capitalism, their toleration in the course of democratization contributed to transforming liberal into organized capitalism, and was central to the institutionalization of compromise between capital and labor.

Early unions saw themselves as democratic organizations of self-help and self-government of workers independent from the feudal or bourgeois pre-democratic state. Often they belonged to broader social movements that included political parties, consumer cooperatives, mutual assistance funds, educational associations, sports clubs, and the like (Ebbinghaus 1995). While unions generally resented interference of the state and the law in their internal organization and activities, they differed widely in structure and ideology. Syndicalist and anarcho-syndicalist unions, which in a number of countries remained significant well into the twentieth century, regarded themselves as constituent units of a direct democracy of producers set to replace both capitalist employers and the bureaucratic apparatus of the modern state. These traditions, which were equally opposed to capitalism and to parliamentary democracy and favored "direct action" over collective bargaining and political-electoral lobbying, culminated in the militant council movements of World War I and the revolutions following it, in the Soviet Union and elsewhere.

Integration of unions in democratic capitalism, and their recognition by governments and employers, was greatly advanced by the two world wars. Economic mobilization and the governance of the war economy required the collaboration of union leaders, which in many countries came to be co-opted into positions of quasi-public authority. In addition, enlisted soldiers had to be promised a better life in a fairer society upon their return from the battlefields, and in defeated countries traditional elites were replaced in the aftermath of war by liberal or socialist governments. Generally the end of World War I brought political democratization and, precipitated by the threat of socialist revolution, widespread acceptance of collective bargaining. But the first postwar settlement proved fragile in countries like Germany, Japan, Italy, and Spain, where unionism was soon suppressed by authoritarian regimes. Similarly, in the Soviet Union workers' councils were incorporated in the machinery of a repressive state, and unions were turned into "transmission belts" from the state to the working class. In the United States, by comparison, the New Deal extended union organizing rights, while the Swedish Social Democratic government of the 1930s and the British war cabinet of the 1940s began to develop the contours of the labor-inclusive Keynesian welfare state of the second postwar settlement.

The golden age of capitalism after 1945 saw the worldwide ascendance of a "mature" type of union (Lester 1958), centralized at the level of the national state and representing the interests of union members simultaneously through collective bargaining and political-electoral lobbying within the confines of capitalism and parliamentary democracy. This development was part of the consolidation of democratic capitalism and the nation-state in the countries under American hegemony, where legal recognition of unions and free collective bargaining, extensive social welfare provision, a sizable public sector, and politically guaranteed full employment made possible the coexistence of liberal democracy and a market economy. The normalization of unionism under "embedded liberalism" (Ruggie 1982) coincided with national regulation and standardization of the employment relationship and the social status of wage earners, which in turn corresponded to the advance of industrial mass-production. Legal and political regulation of labor markets, introduced to insulate employment and employment conditions as much as possible from economic fluctuations, reinforced union power. The economic and political role of unions appeared clearly defined and securely established in a Fordist economy generating continuing growth based on economics of scale and on steadily expanding mass consumption fueled by yearly increases in real wages; organized on a sharp categoric distinction between a majority of dependent wage earners and a minority of employers; and gradually restructuring from small companies to...
ever larger factory organizations using advanced mechanical technology.

The Disintegration of the Postwar Settlement

The crisis of trade unionism began with rising inflation and, in many countries, increasing worker militancy in the late 1960s and early 1970s. It proceeded in the 1980s, after the corporatist interlude in countries outside the United States, with a shift from Keynesian to monetarist economic policies, deregulation and privatization, the opening up of national markets to international competition, and generally the withdrawal of states from the kind of economic intervention that had become established in most countries between 1945 and the early 1960s. Political change was accelerated by the demise of Communism in the late 1980s, which eliminated systemic opposition to capitalism, making it less necessary for governments and employers in the West to make concessions to worker collectivism. National trajectories differ, and so do the effects of the departure from the postwar political economy on the status, the activities, and the future of trade unions.

Everywhere the 1960s and 1970s revealed a fundamental tension in the simultaneous commitment of postwar democratic capitalism to politically guaranteed full employment and an extensive welfare state on the one hand and free collective bargaining on the other. As Keynesian macroeconomic management in effect insured unions against adverse employment consequences of high wage settlements, labor market discipline eroded and inflationary pressures accumulated, giving rise to even higher wage claims especially in environments with historically high rates of economic growth. Moreover, during a wave of unofficial strikes in 1968 and 1969 it became apparent that free collective bargaining under politically guaranteed full employment potentially undermined the unions themselves, whose leaders were beginning to lose control over their members. By the early 1970s at the latest, governments throughout the OECD (Organization for Economic Cooperation and Development) world were looking for ways of restoring social discipline and economic stability.

The corporatist policies of the 1970s, which were attempted even in the United Kingdom, were to shore up the Keynesian political economy through a renewed political compact between governments, unions, and, to some extent, employers. After statutory wage and price controls had failed, governments placed their hope on voluntary agreements with union leaders, buying wage moderation in return for expanded social policies, improved organizational privileges, participation rights at the workplace, legislated employment protection, government commitments to growth-promoting macroeconomic or industrial policies, and so on. However, at the time of the second oil shock at the latest, it had become apparent that the concessions unions demanded for their cooperation in efforts to contain inflation were not only expensive but often had—long term—inflationary effects as well, not to mention the fact that union members more often than not failed to honor the commitments their leaders had made on their behalf (Streeck and Hassel 2003; Streeck and Kenworthy 2003).

The late 1970s saw a deadlock in the political economy of democratic capitalism, which manifested itself in a coincidence of high inflation, low growth, and rising unemployment. It was resolved only when the electoral success of the U.K. government under Margaret Thatcher disproved the fundamental orthodoxy of postwar liberalism: that unemployment above a low level of 3 or 4 percent not only meant sure electoral defeat of the government of the day, but was also bound to destabilize liberal democracy, just as it had done in the interwar period. Keynesianism gave way as the leading economic policy doctrine to a pervasive monetarism modeled on the policy of the independent German central bank since 1974 and of the U.S. Federal Reserve since 1979, the last year of the Carter administration. Moreover, to revitalize the capitalist political economy governments—at different paces, in different ways, and with different proximate causes—departed further from the postwar bargain by accepting and promoting a deep liberalization of national economies, including deregulation of product and factor markets, privatization of public enterprises, opening of domestic markets for foreign competition, internationalization of capital markets, retreat from sectoral industrial policies, and consolidation of public budgets. By the end of the century, Western economies were significantly more liberal than they had been at the beginning of the crisis in the 1970s, in that far more prices were now allowed to fluctuate freely and economic adjustment was sought, not through government intervention, but through flexible responses of market participants to competitive pressures.
Trade Unions in a Postindustrial Political Economy

Today trade unions in all industrialized countries are struggling to defend their postwar positions of power and influence. Most unions are losing members, and organizational density is declining widely (Ebbinghaus and Visser 2000; Visser 1992; Western 1995, 1997). In countries like the United States and the United Kingdom, hostile governments used the opportunity of economic restructuring in the 1980s to withdraw institutional supports for collective bargaining and union organizing. Elsewhere the political and institutional context remained friendlier to unions, and where this was the case, membership declined more slowly. Still, the adverse effects of changing labor markets and social structures made unions more dependent than ever for their organizing capacity on favorable institutional conditions and politically guaranteed provisions of organizational security.

Patterns of postindustrial transformation, and possibly decay, of trade unions differ between world regions, nations, sectors, and even localities. Whether current differences amount to more than diverse paths to deunionization, leading to eventual disappearance of organized worker collectivism as an industrial and political force, must be considered an open question. Indications are that cross-national differences in rates of unionization have recently been rising, resulting in an increase in diversity that may, however, just be temporary. Generally, there seems to a tendency toward generational and sectoral encapsulation of trade union membership in a shrinking segment of the workforce and the economy (Ebbinghaus and Visser 2000; Ebbinghaus 2002b). Union members are growing older on average, as density among younger workers tends to be low and falling. With the decline of the two main milieus supportive of unionization, Fordist industry and the Keynesian public sector, most workers are now employed in settings where they have few contacts if any with union members. The structure of union membership in most countries resembles the employment structure of the 1970s, confining unions in a segment of the workforce that is in rapid demographic, if not economic, decline.

Union retreat from the positions and policies of the postwar settlement proceeds gradually in most countries, with unions largely living off their postwar institutional power resources. While trade unions try to adjust to the constraints and opportunities of a changing social and economic context, most governments refrain from direct attacks on their rights and organizations, as unions may still inflict considerable damage on hostile governments or, for that matter, employers. In fact many governments continue to find themselves constrained to seek accommodation with national unions, for example with respect to wage bargaining, given that high unemployment still involves electoral liabilities. Many employers also shy away from direct confrontation, in consideration of their vulnerability on more competitive product markets. Some European governments in the 1990s managed to secure union wage restraint in support of their countries’ accession to European monetary union and its international stabilization regime (Regini 2000).

Especially in the 1980s, when the transition from Keynesianism to monetarism was still under way, unions and employers in a number of Continental European welfare states managed to get governments to make social insurance funds available to reduce unemployment by cutting the labor supply, awarding redundant workers early retirement or disability pensions, or placing them in labor market policy programs where they no longer counted as unemployed (Ebbinghaus 2002a). In such countries, labor supply management by means of social policy began to take the place of aggregate demand management through fiscal and monetary policy, just like the latter insuring unions against negative employment effects of labor market rigidities and overshooting wage settlements (Mares 2001). This was particularly likely where unions, usually together with employers, shared in the administration of social security and where governments had to fear electoral retaliation for cutbacks in welfare state spending.

Many of the social programs that later came to underwrite labor shedding and early exit from work had been introduced for different purposes in the Keynesian years, often as side-payments for union wage moderation. Over time they became acquired social rights. In the post-Keynesian European welfare state, voter dissatisfaction with cutbacks in social spending, especially among pensioners and people of preretirement age, became the equivalent of worker unrest in the Keynesian era, partly shifting the power base of the unions from those seeking work to those seeking retirement. State policies subsidizing a high-equity, low-activity labor market-cum-social policy regime
(Streeck 2001) are expensive and may with time unbalance public budgets. Moreover, they may give rise to distributional conflicts with taxpayers and, where social policy is funded by payroll taxes, further reduce employment by raising the non-wage labor costs of those remaining in work (Ebbinghaus 2001).

The Postindustrial Transformation of Labor Markets and Employment

Both labor supply and labor demand are changing in advanced countries, on their own and in reaction to one another. Current trends differ between countries and sectors, and exceptions from generalizations must always be admitted. Still, union control over the labor supply is weakening throughout the developed industrial world, and labor demand is more than ever in the postwar period driven by changing markets and technologies rather than by union or government intervention. Even where governments continue to defend the labor market regime inherited from the industrial era, including the position of trade unions, they seem to be unable or unwilling to make labor supply and demand fit that regime. As a result the capacity of the latter to govern employment relations is vanishing.

Labor supply in the postindustrial age is shaped by the educational revolution that began in the 1960s, which vastly increased the number of job seekers with academic training. Improved access to education also contributed to a secular rise in labor market participation of women, which in addition reflected changing social values and, later, economic pressure on households. Moreover, most countries today experience an increase in immigration, which expands their supply of unskilled labor, and welfare state reforms have lowered the reservation wage and increased the pressure especially on the low-skilled to seek employment. Overall, recent decades have seen a significant growth of the supply of labor to labor markets, sometimes as a result of deliberate public policies, accompanied by rising polarization in the human capital endowment of labor market participants.

Trends in labor demand, in turn, include declining mass labor markets for, mostly male, manual workers with low or intermediate skills who were the main constituency of postwar trade unions. In part this is because labor-intensive manual production can today be relocated to low-wage countries, given modern information and communication technology and low transportation costs. Employment growth has shifted to the private service sector, which employs both an underclass of, mostly immigrant, unskilled workers and an upperclass of highly specialized knowledge workers with advanced education. In both categories the share of women is high. At the same time there is in most countries stagnation and even decline in public employment, due to the end of welfare state expansion. Employment is also declining in sheltered sectors, as a result of the privatization of public services, especially but not exclusively in European countries. Private manufacturing and the public and sheltered sectors used to be union strongholds, whereas in the private service sector, unions were historically weak.

Moreover, in response to both technological change and a changed labor supply, demand for advanced workplace-unspecific formal skills is rising. Work tends to be organized in smaller, more autonomous units with lower hierarchies and less hierarchical decision-making, like work teams and small independent firms. Work units are more than before exposed to market pressures and coordinate their activities both within and across enterprise boundaries more by contractual than by hierarchical means. There also is a tendency to organize work in project groups put together at the beginning and disbanded upon the completion, of a collective task, with managerial responsibilities, for example for job assignment and cost control, largely integrated in direct production work (Cappelli et al. 1997).

Again with the necessary qualifications, interrelated changes in labor supply and demand seem to affect the operation and the institutions of labor markets in similar ways throughout the countries of the post–World War II settlement. Common tendencies include the following.

An increasing wage spread, with growing returns to higher education, and generally a polarization of labor markets between insiders with good market opportunities who also tend to be covered by collective bargaining and protective social policies, and mostly unskilled outsiders with little access to formal employment and little support from unions and from a welfare state designed to protect employed workers and their families (Alderson and Nielsen 2002).

A declining willingness of employers to offer long-term or lifetime employment to others than a small elite of core workers, accompanied by a decline in employment security and in prospects of internal advancement and promotion, and subsequently an
increase in the significance of external as compared to internal labor markets (Abraham 1990).

More "atypical" employment, such as part-time work, fixed-term contracts in countries with strong employment protection, or employment with temporary work agencies, or casual employment (for the United States see Kalleberg, Reskin, and Hudson 2000). In a reversal of the historical trend, there also is a tendency to move from contracts of employment to contracts of work, often to evade social security taxes. Forms of atypical employment differ between countries, but their common denominator seems to be a general increase in the diversity of contractual arrangements reflecting diversity of jobs, human capital, and market conditions.

Growing informal employment due to immigration or, in European welfare states with compressed wage differentials and social security taxes that raise the price of labor, high unemployment combined with an increase in underground employment.

Generally with respect to role expectations, work ethos and allocation of economic risk, a blurring of the distinction between the status of wage earner and that of self-employed entrepreneur or professional, or between employee and employer. This is accompanied by an increase in self-employment in many countries, a growing emphasis on entrepreneurialism, even within traditional employment relationships, and a shift of the costs of training from employers. It also coincides with an increase in the share of an employee's income that depends on effort or results, of the individual or of the organization, or of both. The effect is higher variation of income over time as well as between individuals.

While these tendencies are not equally strong everywhere, and some may be at odds with others, workforces in developed industrial countries are more diverse today than they were 20 years ago; polarization of the labor supply between growing numbers of highly skilled and unskilled job seekers proceeds; the value of increasingly diversified and idiosyncratic human capital in a postindustrial "knowledge society" is still rising; labor markets have become more competitive; unemployment is high, and informal employment at the lower end of the labor market is growing. Moreover, as the costs of underwriting stable employment and a high reservation wage become excessive for cash-strapped welfare states exposed to international markets, governments are adopting policies of labor market flexibility (Boyer 1988) and "activation" rather than "decommodification" of labor, making it less possible for trade unions to rely on the welfare state for suspension of competition in labor markets, and generally for protection of workers from the fluctuations of labor and product markets.

Where the old institutions still hold, with the support of the state and legal order, less standardized types of employment beyond the categorical distinction between wage earners and self-employed employers emerge outside of them. Within work arrangements one finds a partial return of the spectrum of employment relations that was suppressed at the height of industrialism; external labor markets gain importance and become increasingly flexible, while internal labor markets become less institutionalized and more like external labor markets (Osterman 1994); and economic rewards are governed less by entitlement than by market fluctuations, less by status rights than by contingent economic results, and more by individual effort or luck than by collective regulation.

**Diversity or Convergence?**

At first glance, paradoxically but not dissimilarly from other spheres of social life, the present period of accelerating "globalization" may be one of growing diversity of labor markets and trade unions, compared to the decades after World War II. Diversity seems likely to increase, particularly if labor market institutions evolve along with national systems of capitalism in their search for comparative advantage resulting from specialization (Berger and Dore 1996; Crouch and Streeck 1997; Hall and Soskice 2001). There is also likely to be more internal diversity within national systems, as these will have to allow for more local or sectoral variation and flexibility (Katz and Darbishire 2000).

On the other hand, while especially in the former countries of democratic corporatism the institutional supports that unions won in the twentieth century still exist, and may yet exist for some time if only because of inertia, labor markets everywhere seem to have become less amenable to regulation by trade unions. In a nutshell, the numbers are rising of those who have enough market power to do without collective organization, as well as of those who have too little market power to be capable of it. This seems to be producing a growing gap between the position of unions in the political and legal order and their position in the economy and the labor market, resulting in a mismatch between societal institutions and local contractual constructions, or between macro- and microinstitutional arrangements. While the former still emphasize standardization, specification, and formal-
ization, the latter may increasingly involve customized arrangements, diffuse understandings, and informal agreements. Moreover, to the extent that they concern easily replaceable workers with little human capital, they are likely to undercut the conditions that were customary in the more centrally regulated labor markets of the industrial era.

This is not to say that the labor markets of the future will be unregulated. Labor remains an imperfect commodity and continues to require rules enabling sellers of labor power to reconcile market participation and social commitments, just as open employment contracts will need formal and informal mechanisms of governance that facilitate their flexible and legitimate adjustment to changing conditions. But as the division of labor becomes ever more complex, and differences in human capital endowment and market position become more difficult for institutional intervention to override, how much and what form of regulation a worker will get may increasingly be determined by his or her market position. Private government by collective intermediaries like trade unions may be squeezed out by a liberalizing state from above and an expanding market from below, clearing the way for a new wave of commodification of labor in response to dynamically changing economic and technological conditions. To the extent that freer labor markets require new if not more rules, so sophisticated civil law and regulatory law—for example on equal employment opportunities—may be stepping in for the corporatist middlemen of the industrial era. Not only would this allow for more customized contracts, adapting the governance of the employment relationship to a new economic environment that puts a premium on individual initiative and investment in human capital. It also would eliminate the particularism of collective interest organizations that, in a more diverse and dynamic society, are unlikely again to be accepted as representing general interests in social progress, in favor of what seems to be increasingly regarded as a universal individual right to enter the market and compete.

Notes

I am grateful to Till Mueller-Schoell for competent research assistance, and to Britta Rehder for excellent advice when it was much needed.

1. In the subject index of the first edition of this handbook (Smelser and Swedberg 1994), one finds neither unions nor trade unions nor labor unions.

2. The foundational statement continues to be Granovetter 1992. On labor markets in economic sociology generally, see Swedberg in this volume.


4. For excellent overviews see Tilly and Tilly 1994; Granovetter 1995.

5. In other words, construing what in Durkheimian language are the “noncontractual conditions of contract” as originating in contractual agreement.

6. So does the law that shapes and is shaped by labor markets and employment relations. See Edelman and Stryker, this volume.

7. But compare the economist Clark Kerr, who writes of “institutional markets” characterized by “the substitution of institutional rules for frictions as the principal delineator of job market limits; of institutional and leadership comparisons for physical movement as the main basis for the interrelatedness of wage markets; and of policies of unions, employers, and government for the traditional action of market forces as the more significant source of wage movements...” Formal rules, consciously selected, supplant informal practices determined by market conditions. Nor are policies solely developed by the private governments of industry and organized labor, but also by public government, etc. (1977, 42).

8. For an entirely arbitrary sample see the contributions to Regini 1992.

9. Making the contract of employment a highly formalized case of a “relational contract” (on the concept see Macneil 1980).

10. In the language of institutional economics, this turns the labor contract into a “partial gift exchange” (Akerlof 1986), to the extent that workers contribute their labor “voluntarily.” Sociology has generated a huge literature on the relationship between work organizations and trade unions that cannot be summarized in a chapter on labor markets and trade unions.

11. For an impressively radical incorporation of this fact into economic theory see Solow 1991.

12. To the extent that employers are interested in efficient labor markets and legitimate workplace authority, they may also be interested in fairness. This is the ultimate reason for the possibility of collective bargaining and of political and industrial inclusion of organized labor in a capitalist political economy.

13. To sociologists, unions promoting institutionalized labor market segmentation exhibit a double face, as agents of both equality and inequality; of social inclusion as well as social exclusion, or closure; and of universalism as well as particularism. In the political literature on trade unions, this is captured in distinctions like that between political unionism and business unionism.

14. In his book A Theory of Employment Systems, Marsden (1999) offers a sophisticated efficiency-theoretical analysis of work organization, i.e., of the division of labor and the structure of authority and joint regulation at the point of production. Work organization is treated as the result of an interaction between different types of work skills and labor markets, the need for both workers and employers to protect themselves against one another’s opportunism, and the requirement of simple transaction rules that allow for efficient monitoring. Marsden can show that dependent on the national institutional context, this gives rise to different solutions that remain stable over time and are more or less uniformly adopted in their countries.
When the Taylorist organization of industrial work had reached its zenith in the 1970s, unions in a number of countries raised demands for new forms of work organization involving job enlargement, team working, worker involvement, direct participation, etc. To some extent this recalled past struggles over craft or bureaucratic control of the labor process. Especially in Scandinavian countries, demands for an improvement in the "quality of working life" were taken up by governments—which hoped for a shift of union policies toward nonmonetary "qualitative" objectives—and employers dissatisfied with declining productivity and product quality. In America, programs to improve the quality of working life were first put forward by management and were regarded with suspicion by unions, who were afraid of losing control over the wage-effort bargain. The movement dwindled away when rapid deindustrialization removed its cause and the return of unemployment again changed the priorities of workers, unions, and governments.

15. Ambivalent attitudes of trade unions toward the law as a repressive as well as supportive force may be reconstructed in terms of an economic sociology of law and legal practice, along the lines of the contribution of Edelman and Stryker to this volume.

16. For a cogent sociological formulation of the politics of union wage restraint see Pizzorno 1978, which emphasizes the conversion of (unrealistic) demands for redistribution into (realistic) demands for political compensations of wage moderation. On the comparative empirics of corporatist wage moderation and political exchange see Cameron 1984 and Castles 1987, for many others.

17. While in transition countries they seem to find it hard to get established in the first place (Bryant and Mokrzycki 1995).

18. The enormous literature on union density cannot be reviewed here. The research referred to above agrees that with time, institutional conditions have overall become more important determinants of unionization than the informal networks of social relations in occupational communities that seem to have dominated in the early history of trade unions. In other words, the determinants of union membership seem to have shifted from a union's "logic of membership" to its "logic of influence," i.e., the character of its relations with the state and employers. Institutional analyses have therefore superseded early econometric analyses that conceived of union membership as the result of individual decisions.


20. This trajectory, of course, differs from that envisaged by the growing literature in the United States and Britain on a "revitalization" of trade unions as progressive-democratic popular movements (for impressive examples see Levi 2002; Voss and Sherman 2000). Unions have always attracted high popular movements (for impressive examples see Levi 2002; Akerlof and Janet L. Yellen. Cambridge: Cambridge University Press.


Early Retirement in France and Germany.” Governance 14:295–317.


