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10 Trade unions as political actors

Wolfgang Streeck and Anke Hassel

1. Introduction

Modern trade unions act in two arenas: the state and politics on the one hand, and the labour market and collective bargaining on the other. The relative importance of their economic and political activities differs between countries and world regions, as well as historically and between types of unions. So do the way and the extent to which union action in the two arenas is coordinated.

The dominant kind of trade union as it emerged from the second postwar settlement after 1945 recognizes the primacy of the liberal-democratic state and of parliamentary democracy, just as it accepts private property and the principal rules of a – socially embedded and regulated – market economy. Most unions after 1945 no longer claimed a right or reserved the option to overthrow the government of the state through a political strike. In this they paid tribute to the superior legitimacy of free elections, as compared to ‘direct action’ of the organized working class. Today more or less explicit constitutional law makes it illegal for unions in most liberal democracies to call a strike in order to put pressure on the elected parliament, and most trade unions have accepted this as legitimate. In return liberal democratic states allow unions – within the limits of usually complex legal rules – to strike in the context of disputes with employers and in pursuit of collective agreements on wages and working conditions.

In the nineteenth century, syndicalist traditions of the trade union movement aimed at replacing the emerging national state with directly elected councils of workers, called *sovjets* in Russian and *Räte* in German. Anarcho-syndicalist unions, which in countries like Spain survived into the twentieth century, pursued direct democracy of producers as an alternative to both the bureaucratic territorial state and the capitalist market economy. Such projects, however, came to naught and were eventually abandoned in exchange for the legal and constitutional recognition of collective bargaining and rights for unions to act as organized interest groups within liberal democracy. While many unions still keep a distance from ‘bourgeois democracy’ and claim for themselves a special political status above that of a mere lobbying group, this mainly reflects the memory of the class society of the past in which the dominant political cleavage was that between capital and labour.

Well into the 1980s and 1990s, European unions in particular launched or were involved in political campaigns on a variety of matters not directly related to their members' economic interests, such as international peace or free abortion. In this they drew on a broad concept of worker interests informed by traditional visions of class conflict and by a syndicalist sense of rivalry with the state over the legitimate representation of workers, not just as workers but also as citizens. Especially in Europe, unions continued for a long time to be expected by their members and officials, and also by intellectuals and public opinion, to be leaders in a general movement for social progress, far beyond economic matters in a narrow sense. To an extent this is still the case and unions often find it difficult to reject expectations of this sort. Nevertheless, most unions have in recent decades increasingly concentrated their political activities on objectives related to those pursued in collective bargaining, such as general economic policy, industrial and labour market policy, the public provision of economic infrastructure, including training and education, social welfare policy and the 'social wage', and not least the legal framework for collective bargaining, workplace representation, and trade unionism in general.

As political actors within the constitutional framework of liberal democracy trade unions can use various channels of influence. The most important of these are still unions' traditional relations to political parties. In all democratic countries unions are in some form of alliance with a major party of the Left or the Centre-Left, such as the SPD in Germany, the Labour Party in Britain, or the Democratic Party in the United States. Often such relations go back to common origins in the nineteenth or twentieth centuries, in the context of a 'labour movement' organized in a political and an economic wing. Similar relations sometimes exist with Catholic parties of the Centre-Right. In countries where collective bargaining is less firmly established, or a purely economic pursuit of member interests is for other reasons less promising, unions may be dominated by allied parties, like in Italy or France. Mostly, however, the relationship is more balanced and unions may exercise considerable influence over their political allies, serving as a recruiting ground for party officials, contributing money to fund election campaigns or cover the current costs of party organization, and mobilizing their members to vote for the party in general elections. Unions may increase their political clout if they can credibly threaten to shift their support to a competing party, for example from a social-democratic to a centre-right party. This, however, requires not just a high degree of political and ideological independence but also a suitable political opportunity structure. While the German DGB may sometimes ally itself with the Christian-Democratic Party if the Social Democrats disre-

gard its demands, the British TUC has no other party than Labour to turn to as the British Conservatives will not deal with them.

Important sources of political strength of unions are parastate public institutions of functional representation that include unions in their governance structures. Examples are social security or labour market policy funds under the shared control of unions, employers and, in some cases, the state. Even where such funds are governed by law, they enable unions to influence the implementation of public policies. They also offer employment opportunities for union activists and opportunities for membership recruitment. Governments trying to control the political power of unions or to retaliate for unions not supporting their policy may sometimes undertake to eliminate functional representation and replace it with state control.

Most economists regard unions as economic actors, especially as labour market monopolists. Political scientists, by comparison, treat unions as interest groups, emphasizing their political activities and their relations to political parties. For industrial relations scholars, the political activities of unions are an aspect, of different importance in different countries, of their participation in tripartite industrial rule making. Historical-institutionalist approaches look at the ways in which unions evolved in opposition to the modern state and in alliance with political parties of the working class or of religious minorities; past origins are drawn upon to explain present differences in unions' political status and political strategies. Students of neo-corporatism consider unions as institutionalized interest groups with more or less corporatist organizational characteristics and acting more or less in concert with the government; to them industrial relations is one arena among others where selected interest organizations are institutionalized and endowed with special rights and obligations by the state. Theorists of collective action make little difference between political and economic activities as in either case, organizations must find ways of offering outside inducements to rational individuals to overcome inherent free-rider problems.

2. Historical origins of union political behaviour

Union political behaviour today is shaped by the economic, political and legal conditions in which unions first organized (Streeck, 1993a). Whether unions became reformist or radical depended on two factors: 'first the nature of the social class system before industrialization; second the way economic and political elites responded to the demands of workers for the right to participate in the polity and economy' (Lipset, 1982, p. 1). Modern unions evolved in symbiosis with the nation-state, which first contested and later protected their right to organize. Liberal and interventionist state traditions, conditioned in part by the time and pace of industrialization,

shaped the organizational form of trade unions as well as their relationship to political parties. Early patterns of union involvement in politics, as distinguished from collective bargaining with employers, not only affected the extent to which national unions achieved control over their local and sectoral constituents, but also prefigured the eventual relationship between industrial relations and state social policy in the constitution of mature nation-states.

More specifically, in liberal environments where the general extension of the right to vote preceded or coincided with the onset of industrialization, unions remained independent from political parties and hostile to political ideologies. This went together with organizational fragmentation and an overwhelming preference for industrial over political action. Over time in such countries, union political independence evolved into a pattern of primarily voluntary and particularistic, as opposed to statutory and universalistic, regulation of employment conditions, accompanied by a pattern of state abstention from social policy or intervention in labour law. By comparison, in states that took an active and, usually, authoritarian role in the industrialization of their societies, unions typically had to struggle for universal suffrage as a precondition for the achievement of effective organizing rights; this often resulted in their subordination to an allied political party, as well as in their politicization and centralization. With improved economic and legal opportunities for collective bargaining, political unions of this sort more or less managed to escape from party tutelage while not losing their capacities for political action and centralized coordination. When union-friendly political parties were voted into government, such unions had the opportunity to combine encompassing collective bargaining with a political quest for a universalistic social policy, engaging in industrial and political action simultaneously and deploying one in support of the other. For example, just as unions could use their influence on social policy to improve their position in relation to employers in collective bargaining, they could draw on their role in collective bargaining to defend their independence from allied parties and, by extension, the state. In particular, joint understandings with employers on the range of issues to be regulated 'voluntarily' by collective agreement rather than by government statute, constituted an important resource for political unions defending their jurisdiction against state intervention.

In early industrializing countries with a relatively liberal political system, repression of unionism was weak and union organizing rights were comparatively easily gained (Bartolini, 2000, p. 244ff; Crouch, 1993). The first British unions were occupational associations of a highly skilled labour aristocracy ('craft unions'). Being able to achieve their economic objectives on their own by relying on their strong position in the market, unions of

this sort had no demands on the state apart from non-interference in their organizing activities, which were typically based on the closed shop and included control over skill formation. In particular, they had little need for government social policy as they preferred to negotiate their wages and benefits directly with their employers and were prosperous enough to build their own social insurance funds on a voluntary basis. General unions of unskilled 'mass workers' emerged much later and although they commanded considerably less market power, they had to organize and act under political, institutional and ideological conditions that for a long time continued to be controlled by their predecessors.

Craft unions originally had no need for political action as liberal support for union organizing rights was all they required from the state. When later, after long hesitation, British unions did resolve to engage in continuous political activity, they set up the Labour Party as their extended arm funded and formally controlled by the Trades Union Congress (von Beyme, 1977). As predicted by the opponents of direct union engagement with politics, unions often turned out unable to make the parliamentary Labour Party follow its directions. Given that British unions never developed a coherent socialist ideology, however, this did not matter much as long as Labour remained committed to free collective bargaining and did not stray from a core welfare-state agenda. Moreover, their low degree of politicization protected British unions from the political divisions that tore apart union movements on the European Continent.

In the USA, by comparison, craft unions were even more conservative and maintained their dominance over the union movement even longer than in Britain (Lipset and Marks, 2000; Friedmann, 1998; Katznelson and Zolberg, 1986). Well into the 1920s the mainstream of American trade unionism remained hostile to state intervention in the economy, not to mention a statutory social policy securing benefits for workers that well-organized craft unions were able to secure on their own through collective bargaining. The unskilled unions of the CIO that grew in strength only under the New Deal in the 1930s soon turned into business unions and after the Second World War at the latest, also relied on non-political collective bargaining as their principal mode of action. A slightly different approach was taken only by the union of automobile workers (UAW) which, with little success, held on to its demand for a universalistic social policy of the federal government, in particular with respect to the provision of health insurance. The only lasting result of the New Deal was the close relationship it established between American trade unions and the Democratic Party of the then President, Franklin D. Roosevelt.

In Continental Europe the relationship between unions and political parties, and subsequently between collective bargaining and social policy,

was quite different from the Anglo-American world (Kendall, 1975). Sweden is the main example of a country where delayed industrial development, with the associated lack of opportunities for a successful pursuit of worker interest through the market, resulted in unions being founded by a political party of the Left rather than, like in Britain, the other way around. While in Sweden just as in Britain, unions were corporate members of the political party of the working class, in stark contrast to Britain this meant subordination of the former to the latter. It was only after collective bargaining had become firmly established in the late 1930s, under the Saltsjöbaden national agreement with the employers, that Swedish unions gained autonomy from the primacy of the party inside the labour movement. This in turn came after the Socialist Party had become the hegemonic force of Swedish politics when in the early 1930s it broke a wildcat strike of construction workers that threatened to undermine the government's deflation programme. Continuing Socialist dominance within Swedish unions resulted in a political division of the Swedish union movement as white-collar workers refused to join the Socialist blue-collar unions and set up their own federation after 1945 (Fulcher, 1991).

Political unionism proved even more divisive in countries where, unlike Sweden, national politics included a strong Catholic element or where the First World War led to a split in the political party of the working class. In Italy and France, Socialist, Communist and Catholic parties founded their own unions, setting in motion protracted conflicts between and among unions and parties over trade union unity, with unions periodically joining together and then again breaking apart (Friedmann, 1998; Ebbinghaus, 1995; Valenzuela, 1994). Politicization and party-political control of trade unions was favoured in Italy by slow industrialization and by weak institutions of collective bargaining and a dominant role of the national state in the economy, with strong clientelism and centralism. To escape instrumentalization for party-political purposes, for example in elections or in conflicts over the composition of the national government, Italian unions made several attempts after 1945 to merge across political divisions. Immediately after the war national federations were founded in Italy and France that included the former Socialist, Communist and Catholic unions. But these soon broke up, mainly under American pressure aimed at isolating the Communists and ending their alleged control over the united union movement. In Italy, several attempts at reuniting the union movement were made beginning in the 1970s, but always failed earlier or later when party strategists utilized industrial relations as an additional political arena, or when unions required political patronage to score a success in collective bargaining. In France, the joint effects of syndicalist and liberal-republican political traditions and weak labour market institutions created a similar

effect of dominance over unions by political parties – in particular the Communist party – and of union polarization. In contrast to Italy, unions *did not benefit from the social unrest of the late 1960s*, but lost much of their importance and most of their members in subsequent years.

Political unionism took a different path in Germany where industrial development was faster than in Sweden, Italy and France and where political repression hit the working-class party more than the unions (Mommssen and Husung, 1985). Already early in the twentieth century, Socialist unions were formally conceded strategic independence by the leadership of the Social-Democratic Party. A contributing factor may have been the early existence of a strong Catholic union movement associated with the Centre Party. Like Socialists, Catholics were suspected by the Bismarckian state of internationalist loyalties, which made them, too, a target of state repression. After the First World War, the Social-Democratic and the Centre Parties together became the pillars of the Weimar Republic and the unions associated with them coexisted more or less peacefully. A Communist union wing emerged inside the Socialist, or General, unions but never achieved political relevance. The Nazis suppressed all unions in 1933. After 1945, Socialist and Catholic unions set aside their differences and founded the DGB as an independent *Einheitsgewerkschaft* not organizationally affiliated to any political party.

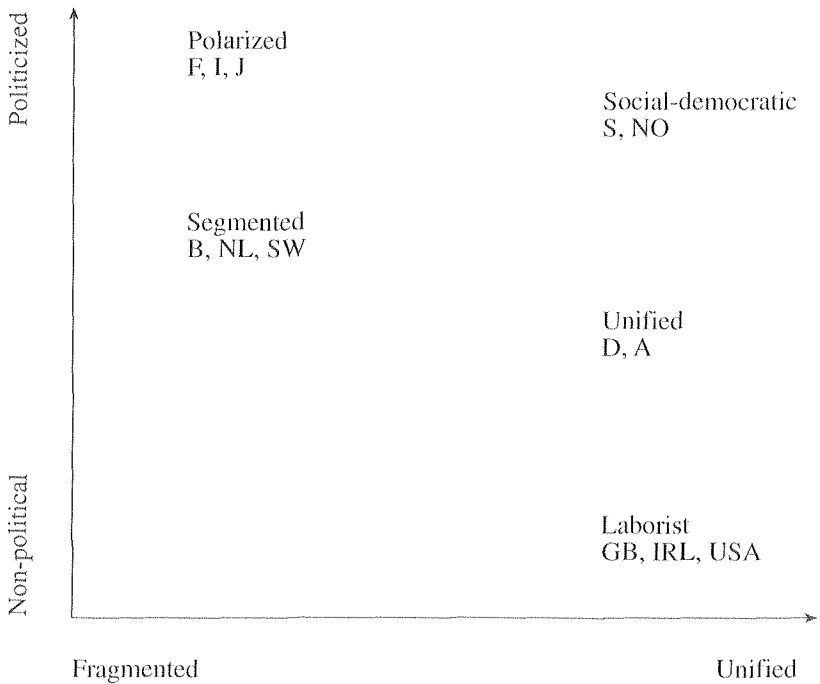
That the DGB, unlike the CGIL in Italy or the CGT in France, remained united may be explained by the insignificance of its Communist element, due to the confinement of German Communism in the second postwar German state, the DDR. Formal party-political independence, however, does not prevent the DGB, from maintaining a particularly cordial relationship with the Social-Democratic Party (SPD). At the same time, however, it allows it to manoeuvre between the SPD and the Christian-Democratic Union (CDU/CSU), which grew out of the former Centre Party with its traditional pro-union element. While the great majority of their officials sympathize with the SPD and presumably carry its membership card, German industrial unions try to ensure that at least one member of their national executive is a member or confidant of the CDU/CSU. There are also some union officials that are members of the post-Communist PDS, which after German unity absorbed the – few – Communist elements of West German unions before 1989.

In Belgium, the Netherlands and Switzerland, the labour–capital cleavage was cut across by conflicts between church and state. In a battle over political control, two competing sets of worker organizations and social milieus developed, one under the leadership of the party in the Socialist movement and one under the control of religious leaders in the Christian workers' movement (Ebbinghaus, 1995, p. 83). In contrast to Austria and

Germany, in the 'consociational' countries religious cleavages became institutionalized. Complex party-union relations combining religious and political cleavages split the trade union as well as the party systems and gave rise to complicated consensus-orientated political arrangements.

In Japan, both unions and working-class political parties were outlawed for a long time under the authoritarian developmental state of the decades after the Meiji Restoration. Parliamentary democracy and free collective bargaining became safely institutionalized only after 1945. Unionization proceeded rapidly in the immediate postwar period and in 1947, the Socialist Party took over the national government, only to be removed from office shortly thereafter by the American military command, on the eve of a general strike. Subsequently the national trade union confederation divided along political lines and national unionism for many decades remained a site of arcane ideological disputes between rapidly changing factions of the radical Left, unrelated to the realities of the workplace. There employers and the government succeeded in establishing the principle of enterprise unionism. While this responded to strong interests of workers to have a say at their workplace, especially with respect to the protection of 'lifetime' employment, it also de-politicized trade unionism and cut off the experience of workers at the workplace from the ideological disputes between national trade union centres, which were mainly on matters of war and peace and on the desirability of a fast transition to Communism. National trade union centres continued to reconfigure rapidly through most of the postwar years, without visible impact on industrial relations at the workplace. Enterprise unionism and the practical irrelevance of their politicized national confederations corresponded to the absence of a public welfare state in the Japanese political economy and its internalization into the industrial relations and the employment policy of large companies. While Japanese unions were often effective in representing their members at the workplace, there was for a long time little opportunity for them for political action in support of their activities in collective bargaining, not to speak of tripartite political exchange at national level between unions, employers, and the government. It was only in the 1980s with the formation of Rengo – a new 'moderate' trade union confederation ideologically not committed to the Left – that Japanese industrial relations, focused as they are on the workplace and the enterprise, became to some extent institutionally reconnected to politics and political activities.

In conclusion, the relationship between trade unions and political parties, and the political arena as a whole, can be classified by two structural dimensions that evolved in the course of nation-building and state formation in the nineteenth and twentieth century: the degree of political unity and the degree of politization of trade unions (see Figure 10.1).



Source: Own compilation based on Ebbinghaus (1995); Valenzuela (1994); von Beyme (1977).

Figure 10.1 Union-party relations

Political unity exists in countries where political differences within trade unions have not led to organizational fragmentation. The degree of politicization describes the extent to which trade unions are active in the political arena. Politically unified trade unions are the less politicized the more dominant they historically were in relation to political parties. Dominant unions tend to be politically unified but fragmented along industrial, occupational or enterprise lines. Politically fragmented trade unions are always highly politicized. The more politicized trade unions are, whether politically fragmented or not, the more encompassing they are in industrial terms.

Union-party relationships have remained remarkably stable since the Second World War. Political cleavages were organizationally frozen early in both political party and trade union systems. Still, there are long-term tendencies towards unification of unions and mutual independence between parties and unions. Unification was most pronounced in Germany and

Austria, where the entire trade union structure was reorganized immediately after the war. Religious and political segmentation lost in importance in the Netherlands, Switzerland and Italy, less so in France and Belgium. Union-party links have generally become weaker over time, with trade unions and political parties responding to the evolution of their respective industrial and political environments.

3. Unions in the political process

Trade unions may achieve political influence by converting industrial into political power (Pizzorno, 1978). *Political exchange* of this sort occurs where centralized unions command strong bargaining power; where the outcomes of collective bargaining are decisive for macroeconomic performance, in particular with respect to monetary stability and employment; and where the political survival of the government depends on such performance. Also, unions may insert themselves in the political process through *privileged links* with an allied political party, which may enable them to achieve their industrial objectives more effectively and efficiently through political instead of industrial means. Where such links do not exist or have attenuated, unions must try to achieve political influence through electoral support for the party most sympathetic to their demands. Third, union political power may derive from institutionalized collective representation on bipartite or tripartite parastate or parafiscal agencies, such as labour market or social security boards. Presence on such forums of *functional representation* may enable unions to control the implementation of public policies or even veto changes in government policy. Functional representation is less formalized in regional, sectoral or international policy networks that often include unions to enhance their legitimacy or mobilize expertise. Finally, unions may like other interest groups lobby parliament and government in the preparation of legislation and policy decisions; here it is important for unions, like lobbyists in general, to provide lawmakers with technical information and, if necessary, influence public opinion in favour of their preferred policies.

Political exchange

Until the end of the 1970s, economic policy in postwar democratic capitalism was conducted on the premise that social stability and the electoral fortunes of the government depended on politically guaranteed full employment. Keynesian methods of macroeconomic management, however, increased the bargaining power of unions as these no longer needed to worry about unemployment resulting from excessive wage settlements. Rising worker militancy fuelled by high growth, inflation and secure employment prospects made governments dependent on unions willing to act as 'managers of industrial

discontent' (Flanders, 1970) and help them restore monetary stability without having to retreat from their commitment to full employment. In this situation, centralized and broadly based encompassing unions (Olson, 1982) were in a position to offer governments wage moderation in exchange for favourable social policies, such as higher pensions, or for improved institutional conditions for unions in the industrial relations system, like extended participation rights at the workplace or centralization of collective bargaining.

Conversion of industrial into political power under what came to be referred to as neo-corporatist incomes policies enabled unions to get a wide variety of concessions from governments, including industrial, regional and educational policy programmes, and to wield extensive power over public policy (Lehmbruch, 1984; Schmitter, 1977; Headey, 1970). But it also required unions to discipline their members and make them forgo short-term for long-term benefits. To the extent that member militancy reflected collective and symbolic as much as individual and material grievances, the transformation of direct action in political negotiations involved a trade-off of expressive identities against instrumental interests (Pizzorno, 1978). Unions engaging in neo-corporatist political exchange thus faced a double risk of member opposition and uncontrolled militancy on the one hand and member de-motivation and apathy on the other. On the part of government, the concessions offered to unions in return for wage moderation may in effect only have moved problems into the future, via growing deficits in the public budget. At the same time, while the price paid by governments for union cooperation was often high, control of union leaders over their rank-and-file remained tenuous at best and frequently unions turned out unable to deliver the wage moderation for which they had collected political concessions.

'Democratic class struggle' and party linkages

Corporatist political exchange in principle worked also with conservative parties, provided these were still committed to the postwar political orthodoxy of politically guaranteed full employment. However, where as in Scandinavia social-democratic parties had achieved hegemonic control of the state, another conversion of industrial into political strength of trade unions became possible under which unions could increasingly rely on political means to achieve their objectives. According to Korpi (1983) this explains why the most successful trade unions of their time had the lowest strike rates in the Western world, especially in comparison to the United States with its very intense industrial conflict. Sweden in particular was a country where class conflict, far from having subsided or 'withered away', had been transposed into the political arena, where it was possible to extend the achievements of the labour movement, not just to union members, but

to society as a whole. As Swedish unions turned into a popular movement closely identified with Swedish society and the Swedish people, they were able to organize an unmatched 80 per cent of the workforce.

In the 1960s and 1970s the 'Swedish model' seemed to offer a generalizable vision of democratic-socialist progress under a close alliance between powerful unions and a hegemonic socialist party (Stephens, 1979). Subsequently, however, traditional union-party links weakened even in Sweden, where an important contributing factor was the rise of politically unaffiliated white-collar unionism. In the United Kingdom after the failure of the Labour government under Callaghan in the 1979 'winter of discontent', the Labour Party began to regard its political dependence on the TUC as an electoral liability and gradually extricated itself from it. In Germany in the 1990s, the SPD on several occasions distanced itself publicly from the unions, in the belief that this would improve its electoral fortunes. Generally centre-left political parties today take care not to appear as extended arms of trade unions whose membership base is shrinking and whose policies are perceived by a growing share of the public as serving only union members, sometimes at the expense of the rest of society. Nevertheless, social-democratic parties still require the votes of the union constituency and thus make considerable efforts to gain union support, especially before elections and during election campaigns (Western, 1997; Taylor, 1993).

As social-democratic parties must broaden their electoral appeal in a society that is becoming more and more heterogeneous, unions can no longer take it for granted that they will necessarily adopt and carry out the policies unions prefer (Taylor, 1989). Increasingly, therefore, unions must apply political pressure to make social-democratic parties take their interests into account. Such pressure is likely to be most effective if unions can credibly threaten to divert their support, and the votes of their members, to a competing party. In addition to the actual existence of such a party, this depends on the extent to which union members and constituents follow the recommendations of their leaders when casting their votes. As electorates tend to become increasingly volatile, neither parties nor union leaders can be certain to what extent unions will in fact be able to deliver their members' votes; indications are that this capacity has been declining in recent years. The situation is similar for other large organizations, such as churches or sports associations.

Growing voter volatility increases the importance of campaign contributions and financial support generally. Depending on a country's campaign spending laws, unions may invest considerable sums of money to ensure that social-democratic parties first support their policies and then win the election. For example, in Germany the trade union confederation DGB mobilized an unprecedented amount of indirect campaign contributions

during the election campaign of 1998, to extract from the SPD a commitment to undo certain labour market reforms passed by the last Kohl government and to enable Schröder to win the election, also with the support of the union vote. A similar effort was made in 2002 to ensure Schröder's re-election, after the Red-Green government had closed ranks with the unions on labour market and social security reform.

Functional representation

In many Continental-European countries trade unions and employers are represented on national economic policy councils, which were set up in the interwar years or after 1945, to provide for regular meetings and discussions between labour, business and the government. For instance, the Netherlands created a tripartite Social and Economic Council after the Second World War and similar bodies exist in Belgium and Austria. Some of these have, usually narrowly circumscribed, constitutional rights to advise the government or the parliament on matters of economic policy, or to be heard on current legislation. Moreover, trade unions, usually together with employers and sometimes also with the government, sit on the boards of a variety of quasi-public or parafiscal agencies administering labour market policy or social insurance programmes. In part such agencies were created at an early time when national states incorporated in their compulsory social insurance programmes the friendly societies and mutual aid funds founded for their members by unions and small business associations in the nineteenth century. Not to be pushed aside, unions, sometimes supported by employers, insisted on being given a role in the administration of the newly-created agencies, which in countries like Germany subsequently came under the 'self-government' of the 'social partners'. Bipartite and tripartite bodies of this kind emerged in particular in the so-called Bismarck countries where social insurance was funded through contributions of workers and employers rather than by general taxes, with the parafiscal agencies collecting and administering such contributions providing for representation of those paying them.

Although involvement in the administration of social security programmes sometimes offered unions rich opportunities for patronage, it is questionable how much political power unions derived from it. In countries where public unemployment benefit is administered by the unions, under the so-called Ghent system, they use this as a device for recruiting and retaining members. This indirectly contributes to union power (Ebbinghaus, 2002; Rothstein, 1992). However, levels of benefit and contributions are universally fixed by law, and unions and employers, far from having a veto, can influence them only through the legislature. The same, with appropriate modifications, seems to apply also to the national economic councils that

have survived from the postwar years, or to an institution like the Economic and Social Committee of the European Union.

Unlike formal participation in state councils or quasi-public agencies, informal inclusion of unions in sectoral, regional and international policy networks seems to have become increasingly important in recent years. New forms of governance below, within and above the national state depend on bringing together all concerned parties to collect expertise, provide for mutual information on policy preferences, and increase as much as possible the legitimacy of jointly devised policies. Rather than conflict, policy networks emphasize cooperation in the pursuit of common objectives and the improvement of collective infrastructures that cultivate joint comparative advantage. Although policy networks have no constitution and there are no formal rights to inclusion, in most cases care is taken to ensure that unions participate, both to gain the general support of their members and to tap their expertise with respect to industrial development, training and skill formation, employment, labour law, work organization and the like (Marin and Mayntz, 1991).

Lobbying

As the links between unions and centre-left political parties have become more tenuous, and formalized functional representation tends to be preempted by legislative activism and state intervention, unions trying to influence political decisions seem to depend more than ever on classical lobbying of parliament and government. Especially in international environments, but also in national politics, the opportunities for unions to exercise political influence seem to be becoming similar to those of any other interest group, from farmers to environmentalists. In most countries, unions have established procedural rights to be heard by parliamentary committees and like bodies on impending decisions close to their concerns; sometimes those rights exceed those of other groups. Still, unions used to acting directly through collective bargaining or through political exchange based on their bargaining strength, through a closely related socialist party within an encompassing labour movement, or through legally based functional representation, may not be particularly good at shaping legislation from the outside or making their cause attractive to the general public. Also, in many countries unions not carry much favour in postindustrial media politics. Not least, unions that have traditionally relied on organizing, mobilizing and negotiating skills may take time to build up a capacity convincingly to present expert knowledge to bureaucrats and legislators, and a pleasant appearance to the general public. Here business firms and business associations command considerable advantage over unions in their present condition.

4. Unions and economic policy

Trade unions emerged in conflict with the economic liberalism of the nineteenth century as they tried to protect their members from the fluctuations of the market economy. Partly in response to union pressures, national governments in the first half of the twentieth century assumed responsibility for stabilizing the economy and promoting economic growth and employment. Moreover, in the First World War, governments intervened deeply in national economies, only to discover that economic mobilization and the governance of the war economy required the collaboration of union leaders. In many countries these came to be co-opted in positions of quasi-public authority. Also enlisted soldiers had to be promised a better life in a fairer society upon their return from the battlefields, which entailed a commitment to lasting state intervention in the economy.

The first postwar settlement after 1918 involved concessions of 'industrial democracy' and the acceptance of free collective bargaining in many industrialized countries. However, national governments proved unable to stabilize their economies without causing high unemployment, and in many countries the Great Depression ended liberal democracy and free trade unionism and brought authoritarian regimes into power. A new labour inclusive settlement based on a Keynesian full employment policy, which first took shape in the New Deal in the United States and under the British war cabinet, became the cornerstone of the political economy of the West after 1945. The democratic capitalism of the 'Golden Age' entailed not only the legal recognition of trade unions and the rise of the modern welfare state, but also the promise of an economic policy in line with the fundamental interest of workers in full employment.

Keynesianism and the second post-war settlement

The Keynesian revolution in economic thought held out the prospect of full employment secured through creation of aggregate demand by public authorities, rather than through reduction of costs by private enterprises under the pressure of competition. The Keynesian scenario, which was based on the assumption that nominal wages were rigid and could not easily be adjusted, was attractive for governments since it integrated strong trade unions and collective bargaining as an empirical fact into economic theory. Keynesian ideas strengthened the role of the state in economic policy by holding it responsible for providing for counter-cyclical demand whenever the economy required new stimulus.

In theory, Keynesianism did not entail trade union participation in economic policy, nor did it require detailed economic planning. In practice, however, many European governments after 1945 tried to plan their economies to avoid a repetition of the politically disruptive economic crisis of

the interwar years. In France, the country where planning became most formalized, union influence on the plan was low. Neither government nor business was interested in discussing economic policy with trade unions (Barbash, 1972, p. 149). In other European countries, planning was conceived as a policy instrument that was deliberately meant to integrate the labour movement, especially in order to moderate wage demands. In such countries, economic planning was used to constrain free collective bargaining. In the UK, planning took place in the framework of the National Economic Development Council (NEDC) under a Labour government. Trade unions were initially willing to participate but were quickly disillusioned by the complexity of the problems and by the expectation of the government that they would in return settle for lower wages.

In other countries, consultation on economic policy took place outside formal councils. Coordination between trade union collective bargaining and government economic policy was based on a more informal shared understanding of the macroeconomic interaction of wage setting and economic policy. The Swedish Rehn–Meidner model of ‘active manpower policy’ was developed in cooperation between trade unions and the governing Social Democratic party, but not in a formal consultation structure. Governments encouraged trade union wage restraint by offering growth-enhancing public policies (Lange and Garrett, 1985).

Economic policy problems in postwar Europe were unlike those in the interwar years. In the first decade after the war, wage growth was moderate and capital stocks were being built up. After demobilization and recovery had been achieved, ‘the main difficulty of the post-war economies was not slack demand, relative overproduction or insufficient investment, but an ungovernable tendency of demand to outrun the economy’s capacity to meet it without inflation and price rise’ (Postan, 1967, p. 19). Instead of having to stimulate demand, governments soon faced the task of containing inflationary pressure. At the same time, they remained committed to full employment and free collective bargaining.

As a consequence, Western governments soon found themselves facing a trilemma between full employment, price stability and free collective bargaining, in which any two could be achieved only by sacrificing the third. The tradeoff between unemployment and price stability – the so-called Phillips curve – depended on the conduct of collective bargaining. Under the institutional conditions of a regulated labour market and free collective bargaining, any decrease in unemployment would lead to an increase in inflationary pressure (Flanagan et al., 1983; Ulman and Flanagan, 1972, p. 2–4). Macroeconomic policy had to deal with the question of how to accommodate the effects of free collective bargaining without reducing employment.

In this situation, incomes policies were considered a promising potential instrument to shift the Phillips curve downwards and preempt inflationary pressure. At first, in the 1960s, incomes policies included the control of prices and wages. After price controls were dropped due to insuperable problems of implementation, governments issued recommendations or ordered wage freezes. At the same time unions were included in consultation with governments on how to resolve balance of payment and other economic difficulties.

Economic management became far more difficult in the late 1960s when labour unrest broke out in a large number of countries, often in opposition to trade union wage restraint. By that time, the experiments with incomes policies were widely seen as a failure. Nevertheless, when the postwar political economy was put to the test of the devaluation of the US dollar and the first oil shock in the early 1970s, many governments turned to incomes policies again. Lacking alternatives, they approached trade unions for voluntary tripartite concertation with the aim to control wage expectations. Throughout the 1970s, there were frequent attempts to find cooperative approaches of governments and trade unions to deal with the problem of stagflation. In most countries, public expenditure rose in order to compensate for job losses and provide for the unemployed, but also to provide a demand stimulus for the economy.

The rise of monetarism

At the end of the 1970s, governments' approach to economic policy changed drastically. Hesitation in the 1960s and 1970s to use monetary policy to dampen inflation was reduced by the success of the 'German model'. The German Bundesbank switched to a restrictive monetary policy in 1974. At the end of the decade, unemployment and inflation in Germany were far below the European average. Moreover, the US government shifted its economic adjustment strategy in 1978/79, among other things adopting a new policy of deregulation. The Federal Reserve Bank responded to the second oil shock with sharp increases in interest rates and, given the international nature of financial markets, forced the rest of the industrialized world to follow. In the UK, the newly elected Conservative government in 1979 based its economic strategy on tight monetary policy and labour market deregulation. The attempt by the French socialist government in 1982 to stimulate growth by encouraging wage rises and increasing public expenditure failed within only a few months. In addition the European monetary system, set up in 1978, aimed at keeping exchange rate fluctuations within a narrow band and thereby made adjustment through currency devaluation much more difficult.

The shift in economic policy was accompanied by changes in economic

thought. Whereas previously the Philips curve was widely accepted in economic theory – not on theoretical grounds but on the basis of empirical facts – rational expectations theory questioned the tradeoff between inflation and unemployment. In the long run, according to the new consensus in macroeconomics, it was impossible to generate employment by allowing for higher inflation. Inflation was to be fought by tighter monetary policies. Imbalances in the real economy, such as unemployment, had to be dealt with by improving competitive conditions on the markets for goods and labour. To create employment, policy makers should focus on the supply side of the economy and on flexible adjustment of the labour market.

The new trend in economic policy potentially undermined government cooperation with unions. Deregulation threatened the role of trade unions in the labour market. Rather than negotiating joint economic adjustment policies that combined wage restraint with economic policies beneficial for labour, monetarism aimed at disciplining labour by increasing unemployment. According to Scharpf, only in a Keynesian economic environment did governments depend on the willingness of trade unions to engage in voluntary wage restraint. If the government switched to a monetarist strategy, wage restraint no longer required trade union cooperation. Rather, excessive wage settlements were immediately punished by unemployment. Unemployment, unlike inflation, is experienced, not as a collective evil, but as an individual risk. Trade unions have to respond to rising economic insecurity and lower their wage claims (Scharpf, 1991).

As it turned out, the effect of monetarist policies on the role of trade unions was not as straightforward as anticipated. Previous studies had pointed out that the economic performance of countries varied with the level of centralization of wage bargaining institutions. In the classic version of the argument, the effects of wage bargaining institutions were determined by two countervailing forces. Where centralized unions were in control of wage formation for the economy as a whole, they were forced to internalize the negative effects of excessive wage settlements. In these cases, trade union behaviour in wage setting was more responsive to changes in the economy and therefore had a positive impact on economic performance. At the same time, the bargaining power of trade unions was higher in centralized wage bargaining structures. In decentralized bargaining systems a local wage push by trade unions would be disciplined by competing non-union companies. As a result, the relationship between economic performance and the centralization of wage bargaining would take the shape of a hump (Calmfors and Driffill, 1988; see also Chapter 6 by Flanagan in this volume).

Elsewhere in the literature a linear relationship is assumed between wage bargaining centralization and economic performance, with performance

improving with increasing centralization or coordination (Soskice, 1990; Dell'Aringa and Sameh, 1992). In decentralized wage bargaining systems, wage formation is said to depend on the conditions in local labour markets for particular skills. Moreover, since wage structures are embedded in social norms about fair relativities, even in decentralized wage formation relative wages tend to be rigid.

Building on these arguments, it was shown that wage bargaining institutions also interacted with monetary policy (Iversen, 1999; Hall and Franzese, 1998). In countries with decentralized wage bargaining, a commitment of monetary authorities to a restrictive policy would have less of an impact on trade unions since local wage bargainers would not perceive their wage settlements to be influential with respect to monetary policy. Only in centralized wage bargaining are trade unions able to take into account the responses of monetary authorities that their wage settlements might trigger. In countries with more centralized wage bargaining, unions are therefore expected to be more responsive towards tight monetary policies (see Chapter 6 by Flanagan in this volume). In empirical studies it was shown that countries with sectoral wage bargaining tended to adjust better to a monetarist environment. Countries with decentralized wage formation showed the worst performance (Traxler et al., 2001; Iversen, 1999). Also, the interplay between the Bundesbank's restrictive monetary policy and sectoral wage bargaining institutions in Germany was seen as contributing to the relative success of the German economy in the 1970s and 1980s (Streeck, 1994). Thus tight monetarist economic policy seemed in principle compatible with regulated labour markets and centralized wage bargaining.

In line with these arguments about the persisting importance of wage bargaining institutions for economic performance, the postwar tradition of concertation and trade union involvement in economic policy survived the turn to monetarism in many countries. While restrictive monetary policies were eventually adopted in all advanced industrialized countries, this was not accompanied by universal labour market deregulation and trade union exclusion. Only in the Anglo-American OECD countries, with the exception of Ireland, did the labour-inclusive postwar political economy disappear in the 1980s and 1990s. In the USA, Canada, New Zealand, Australia and the UK where labour inclusion and economic planning had always been alien to the political system, the turn to neo-liberalism and monetarism excluded unions from economic policy making.

In Continental Europe, by comparison, many governments in the 1980s opted for negotiating wage restraint with unions and employers when facing the challenges of tight money, fiscal austerity, and attacks on their currencies in international financial markets. A new wave of 'social pacts'

revived national traditions of concertation (Ebbinghaus and Hassel, 2000; Fajertag and Pochet, 2000). Pacts also became an important policy instrument in the transition countries of Eastern Europe (Schmitter and Grote, 1997). In all these cases, monetarism improved the bargaining position of governments vis-à-vis trade unions. In Europe, the Maastricht Treaty and the subsequent Stability Pact imposed tight ceilings on inflation and public spending. The Single European Market liberalized product markets and intensified competition. Governments not only acted under tighter constraints, but they were also in a better position to convey this to domestic interest groups.

5. Unions and the Welfare State

Trade unions played a major role in welfare state development by promoting democratization and the evolution of social rights as a core element of citizenship. Industrialization and modernization both enabled and required public welfare provisions. They undermined pre-industrial sites of solidarity such as the extended family, the church and the guilds by advancing social mobility, urbanization and market exchange. As the expansion of markets tended to destroy the social community on which markets are based, social policy had to re-embed the market economy into society. An obvious source of provision for the needy was the state, which developed bureaucratic organizations to deal with the new demands (Flora and Alber, 1981).

The evolution of the welfare state coincided with the emergence of democratic forms of state legitimacy. The provision of collective welfare through public expenditure became a principal means for governments to secure the support of an increasing group of voters. Expansion of the franchise moved the political agenda towards the institutionalization of social rights. Full citizenship became based, not just on equality before the law, but also on social equality (Marshall, 1965). At the same time, social policy often preceded full democratization and in fact was used to pre-empt it. Also, early democracies were often slow to introduce comprehensive welfare systems because political power was captured by small property owners campaigning for lower taxation rather than higher welfare provisions (Esping-Andersen, 1992, p. 99).

While the expansion of the welfare state was a universal phenomenon in the twentieth century, there are marked differences between different types of welfare state. Welfare regimes can be distinguished by the degree to which they protect the individual from the market and the social status of individuals in economic hardship or when their employment changes (Esping-Andersen, 1990). 'Decommodification' of labour can take different forms and entail different sorts of entitlement in cases of sickness, unemployment, disability and the like.

Three welfare regimes were identified in a seminal study (Esping-Andersen, 1990). Decommodification is strongest in the social-democratic regime with universal provision of a wide range of entitlements. Social-democratic welfare states were designed to secure high standards for all, and not just to support the needy. Their political project was equality between the classes. Status differences between manual and white-collar workers were eradicated within a universal insurance system, although benefits continued to be based on accustomed earnings. Exemplary cases are the Scandinavian countries of Sweden, Norway, Finland and Denmark. At the other end, a liberal welfare regime developed in the Anglo-Saxon countries and in a country like Switzerland. Here welfare provisions are minimal and means-tested, and the state encourages market solutions by subsidizing private welfare schemes. Public schemes are universal but provisions are too low for status maintenance.

Third, in conservative welfare states social security is provided mainly by the state and the share of the market is minimal. Provisions and entitlements are, however, not as comprehensive as in the social-democratic welfare regime; the emphasis is not on equality but on the preservation of social status. Redistributive effects are therefore negligible. Conservative welfare states are primarily to be found on the European continent.

Many countries combine elements of different welfare regimes. The Danish welfare state has liberal elements combined with social-democratic ones. In the poorer countries of southern Europe, a mix of liberal and conservative elements can be found. Different combinations indicate different relative importance of conflicting goals in social security provision: equality, the maintenance of status differentials, and market reliance.

Unions and the Evolution of the Welfare State

Trade union demands for social security collided and interacted with the demands of other political actors in country-specific political constellations. Nation and state building, industrialization and political cleavage structuration coincided with trade union organization and the evolution of welfare states (Rokkan, 1968). Welfare state intervention owes its origins 'to an epoch that antedates labor's emergence as a real political force' (Esping-Andersen, 1994, p. 139). Thus the evolution of the welfare state took place in interaction between labour movements and groups like farmers and business. While the presence of strong farming communities often worked against welfare state expansion (Gourevitch, 1986), business could occasionally be drawn on labour's side. Several studies show a shared interest of employers' associations and trade unions in the expansion of specific forms of social security provision (Mares, 2000; Swenson, 1997). For instance, unemployment insurance also serves interests of employers as

it preserves the skills of workers during economic downturns (Mares, 2000). The actual design of unemployment benefits – whether they are based on taxation or on a comprehensive or narrowly defined occupational insurance scheme – depended on the relative power and the strategic behaviour of trade unions, employers and the government.

Trade unions were highly influential with respect to the direction of welfare state evolution in different countries. While expansion of social security was an obvious goal for all unions, more radical unions pressed for a political solution beyond capitalism, in which social security would be part of a socialist economic order. Reformist labour movements supported voluntaristic provision of social security by friendly societies rather than the state.

The type of social security provision trade unions demanded varied substantially with the type of trade unionism and its interaction with other political forces. A key factor was the mix of craft and industrial trade unionism at the time of the first period of social security expansion in the latter half of the nineteenth century. Craft unions preferred particularistic solutions. Not least to protect their own organizations, they insisted on providing social security themselves rather than letting the state take over their role. Thus they often experienced the growth of the welfare state as expropriation and dilution of their own social security provisions. In countries where originally unemployment benefits, sickness pay and similar forms of social insurance were provided by organizations of skilled workers, craft union dominance impeded the development of universalistic social security programmes with high levels of equality. Since the craft unions in the Anglo-Saxon countries were also less politicized than the more encompassing unions of continental Europe, they did not have the political clout to press for comprehensive social security. But even in Denmark the craft-oriented labour movement blocked social democratic initiatives for an active labour market policy like in Sweden and Norway. In the United States and the United Kingdom, craft unions preferred occupational over universal benefits.

Industrial unions, by comparison, had a broader and more heterogeneous membership and were under pressure from their majority of low-skilled members to even out occupational differentials. As political unions, they also were better able to bargain with central governments. In countries where industrial unions became dominant, a wide range of social benefits are more likely to be provided by the state, achieved through political mobilization instead of collective bargaining and on the basis of universal rights of citizenship. In Sweden, unions pursued the levelling of status and pay differentials between blue- and white-collar workers in social security as well as in pay bargaining.

Political fragmentation of trade unions in continental Europe undermined support for a social-democratic welfare state. The persistence of the religious cleavage in countries with segmented union-party relations shaped the normative orientation of policy makers vis-à-vis the provision of social security. Strong ties between Christian-democratic parties and trade unions encouraged policies based on the subsidiarity principle. This emphasized the traditional role of women and the family and tended to work against universal and comprehensive social security provisions. Political conflict between communist and Christian trade unions had a similar effect. In Austria and Germany, the origins of the welfare state reach back to a period of political division and oppression. Social security provision developed along the line of status differentials and this changed only slowly in the postwar period after the restructuring of the trade unions.

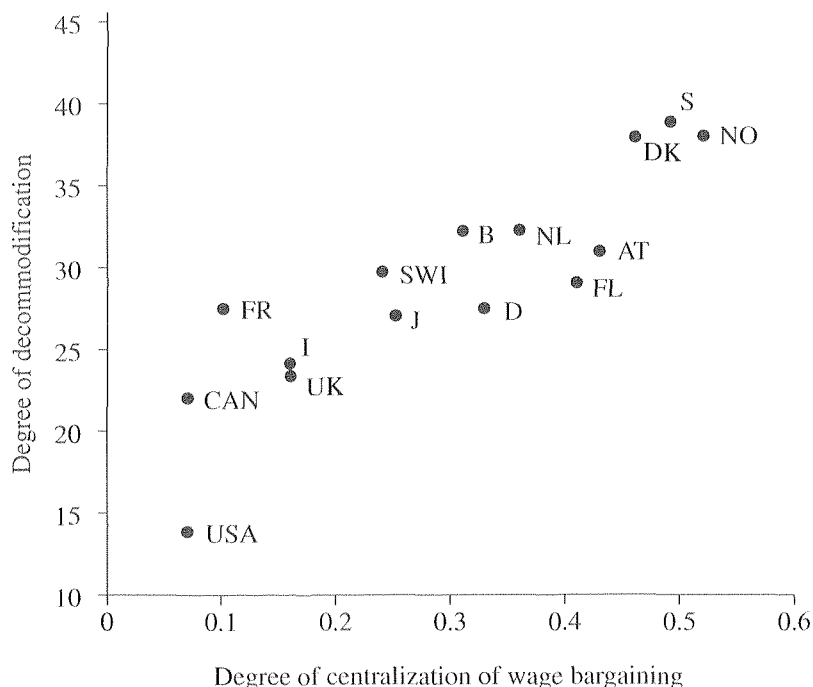
There is a close interaction and correlation between the organization of wage bargaining and the evolution of the welfare state, mediated by the degree of centralization of trade unions and their politicization. The more encompassing and centralized trade unions were initially, the more they were able to influence the political economy both in wage bargaining and in social policy. The decommodification of welfare regimes is highly correlated with the centralization of wage bargaining (see Figure 10.2).

Unions and mature welfare states

As welfare states matured after the Second World War, the interaction between unions and the welfare state and between social policy, collective bargaining and the labour market changed. Over time, trade unions learned to use the welfare state and its expanding provisions to stabilize the income of their members. While political exchange between governments and trade unions entailed wage restraint on the side of the unions, it often provided for the expansion of social security benefits by the government.

At the same time, welfare state regimes increasingly affected the performance of labour markets and trade unions grew dependent on the welfare state. First, the welfare state became a big employer. In the mid-1990s, the social service economy accounted for one quarter of total employment in Sweden (Esping-Andersen, 1996). In the social-democratic welfare states, female labour market participation increased with the increase in employment of the social security sector.

Second, the welfare state reduced employment by offering incentives to older workers to leave the labour market for early retirement. Participation rates of men above 55 declined on average in the EU by 27 percentage points, from 81 to 54 per cent, between 1970 and 1995. Beginning with the 1970s when governments were no longer able to guarantee full employment,



Source: Esping-Andersen (1990), Iversen (1999); own calculations.

Figure 10.2 *Decommodification and centralization of wage bargaining*

early retirement and similar policies were developed to take care of redundant workers. Early retirement was popular with older workers, and therefore with trade unions whose membership gradually grew older on average (Ebbinghaus, 2001).

Third, social security expansion raised the price of labour. In insurance-based welfare states, non-wage labour costs have exploded since the early 1970s. Since early retirement programmes and disability pensions are paid out of contributions of those employed, unit labour costs increased while wages remained stagnant. As non-wage labour costs began to make national economies non-competitive, employers and governments had to seek massive productivity increases, which often resulted in even more publicly-funded early retirement.

The welfare state in retreat

Since the early 1980s the welfare state has been in retreat. Only a few governments, especially in Britain and the USA, attempted to cut back on social security spending. But ageing, low employment and public debt forced welfare states to restructure. The Treaty of Maastricht and the subsequent Stability and Growth Pact had similar consequences for European welfare states.

The retreat of the welfare state has ambivalent implications for trade unions. To the extent that trade unions were embedded in the welfare state, retrenchment is a threat to their established role in social policy. Where trade unions participate in the administration of welfare state programmes, this has come under criticism in recent years, like for example in Austria, France, Germany and the Netherlands. Whereas in some cases employers have pressed for change, in others governments have taken the initiative and tried to curtail the role of the 'social partners' in the governance of the welfare state. In Austria and Italy this was seen as an attack on trade unionism as such and has led to a call for protest strikes, in particular to the first general strike for two decades in Italy in 2002 (Ebbinghaus, 2002).

On the other hand, restructuring of the welfare state expanded the space for collective bargaining (Myles and Pierson, 2001; Schludi, 2001; Swank, 2001; Ebbinghaus and Hassel, 2000). For instance, the gradual retrenchment of pay-as-you-go pension schemes on the European continent has opened up opportunities for bargaining on occupational pensions. In the Netherlands, France and Sweden have existed for a long time. They negotiated supplementary pensions increased in importance with the cutback of universal state pension schemes. In other countries where trade unions had no tradition of negotiating private pensions, they have started to do so. The German pension reform of 2001 introduced new voluntary private pension funds to supplement declining public benefits. This has led to collective agreements on funded occupational pension schemes and the conversion of parts of the wage into insurance contributions (Ebbinghaus, 2002).

Trade union inclusion in economic policy and social security provision survived in Western Europe mainly because of the close connection between the mature welfare state and the labour market. For many governments it became apparent in the 1980s and 1990s that labour market deregulation in mature welfare states is politically risky and expensive. Mature welfare states not only offer multiple veto points to social groups undertaking to obstruct deregulation and retrenchment (Pierson, 1998). Social security provision has also become a main source of legitimacy for governments in an unstable world economy. In many countries, in particular on the European continent, trade unions have used their influence on the welfare state to take redundant workers out of the labour market rather

than make them unemployed. Unemployment is still seen by the public and by policy makers as the main benchmark for economic policy. Even in countries with liberal welfare states where trade unions are not involved in the design and administration of social securing programmes, the politics of retrenchment were difficult for neo-liberal governments like those of Ronald Reagan in the USA, and Margaret Thatcher in the UK (Pierson, 1994).

6. New challenges

In the last two decades of the twentieth century, new challenges arose for organized labour in the politics of advanced industrialized countries. The architecture of the world economy had changed fundamentally since the early 1970s with the breakdown of the Bretton Woods system and the rise of international capital markets. Economic liberalization, privatization and deregulation spread across the world, and protected niches of employment in state-run industries were eradicated. In Europe, the Single European Market, Monetary Union and the Stability and Growth Pact cemented the turn to austerity and tight monetarism. Labour markets became more volatile, insecure and heterogeneous. Party systems underwent fundamental changes as they dissociated themselves from traditional class cleavages (Kitschelt, 1997). Trade union membership declined and in many countries the cohesion of the trade union movement as a political actor is in doubt.

Transnational economic policy

With economic internationalization, the interdependence between national economies has increased. National economic policies produce stronger external effects than before and they are more than ever subject to international regulation. Increasingly, international agencies and supranational bodies regulate or, for that matter, deregulate market access and trade and capital flows. Intergovernmental bodies that operate in an international space derive their legitimacy from the cooperation of sovereign governments. Union influence on them is generally low. Neither the International Monetary Fund nor the World Trade Organization provide opportunities for union participation.

The internationalization of capital markets

The internationalization of capital markets puts a premium on price stability. Under flexible exchange rates the value of a currency depends on the rate of inflation and the current account balance. National monetary and fiscal policy makers therefore have to take the effects of wage inflation on the exchange rate into account. As the ability of governments to

tolerate wage inflation is diminished, unions come under pressure to cooperate in adjusting national labour markets to the new international constraints.

At the same time, governments have reasons to seek new forms of cooperation with trade unions in their effort to adjust to the new economic environment. In particular in countries where labour markets are still highly regulated and the role of trade unions in wage formation is strong, governments try to persuade trade unions to accept voluntary wage restraint. Depending on unions' ability to mobilize electoral pressure, governments have an incentive to preempt union opposition through negotiations. The interest of governments in tripartite agreements on wages and welfare state reform opens new opportunities for trade union political influence. In countries where trade unions are weak in political, institutional and organizational terms, governments increasingly tend to exclude them from political decision making.

Europeanization

In the European Union the process of economic and monetary integration has made a tight monetary policy and fiscal austerity an international obligation for member states. The Maastricht Treaty and the Stability and Growth Pact have tied the hands of national governments. Economic governance, as envisaged by the French government, is underdeveloped in comparison to the role of the autonomous European Central Bank.

Still, European integration has always entailed an element of social partnership and tripartism. Like most of the Continental European member states, the EU has a tripartite Economic and Social Committee on which unions are represented. Moreover, the European Union has long been committed to 'social dialogue' between business and labour (Falkner, 1998), and the European employment strategy emphasizes the inclusion of unions at the supranational as well as the national level.

As of now the impact of European social policy has remained limited. European social policy directives, written with more or less involvement of the European Trade Union Confederation, cover only narrow issues and do not substantially affect national labour or social legislation. European-wide collective bargaining is a long way off and indeed seems unlikely ever to materialize (see Chapter 13 by Sadowski, Ludewig and Turk in this volume). Despite the preferential treatment of the social partners by the European Commission, the European political system is much more pluralist than corporatist (Streeck, 1992). A large number of trade unions, associations, lobby groups, firms and regions have a variety of choices of different paths of access to the political centre, and policy making is organized around a complex interplay between the national and European level.

European decision makers have a variety of interest groups to deal with, trade unions being only one among many (Streeck, 1993b).

Trade unions as political actors

In postwar Europe and beyond, unions were included in national politics as representatives of the working class as a whole. In the 1970s in particular, their membership grew and so did their political influence. However, deep changes in the composition of trade union membership have taken place since. In most countries, union membership has declined substantially and its structure became stuck in the golden era of welfare state expansion. By the end of the twentieth century, the average union member was older than the average employee; more likely to be a blue-collar worker than a white-collar worker; male rather than female; and employed in manufacturing rather than in services (see Chapter 2 by Schnabel and Chapter 11 by Visser in this volume). In particular, the increase in female and service sector employment is not reflected in trade union membership. Such imbalances are likely to have long-term negative effects on the political legitimacy of trade unions. For example, established rights of unions to be represented on public committees and administrative boards may be increasingly challenged by a sceptical public.

Even more important, the political interests of unions will naturally be defined by their remaining core membership. The massive expansion of early retirement in the 1980s and 1990s reflected the demands of older trade union members. Trade unions in Italy, where up to 50 per cent of union members are retired, campaign for pensioners rights at the expense of young workers (Ebbinghaus, 2002). Despite the effort of many trade unions to broaden their membership base, unions as political actors are likely to be increasingly defined as a pressure group for a narrow constituency of skilled manual workers. This will make it difficult for them to defend the political status they achieved in the postwar period, which is still reflected in many of the core institutions of democratic capitalism.

Present tendencies towards deregulation of advanced political economies may, however, be overstated. In many European countries trade unions are still strong (Ross and Martin, 1999). They generally continue to be regarded by many governments as indispensable participants in national social pacts for wage moderation and employment. On the other hand, even where postwar corporatism is not disappearing, it is changing under pressures on governments to strengthen economic incentives and ensure that the costs of the organized pursuit of collective interests are borne by those who also reap the benefits, rather than by the public-at-large.

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