# GLOBALIZATION
# risks and opportunities for labor policy in Europe [1]

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[1] The following paper is based on an article by Jürgen Hoffmann entitled "Gewerkschaften in der Globalisierungsfalle" (Trade Unions in the Globalization Trap), published in *PROKLA* no. 106 (1/1997), which dealt with the relationship between German trade unions and globalization.

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# Contents

## 1. Trade unions in Europe - merely victims of globalization?

“The Globalization Trap”, “The Limits of Globalization”, “On the Treadmill of Global Competition”, “Policy Regarding the Location of Production Sites”, “Eurosclerosis”: these are all (translated) titles of books and articles, as well as provocative terms that refer to an ongoing debate on the restructuring of the world market. They also highlight the apparent or actual change in the situation facing Europe's economies and societies, a change which is again, apparently or actually, subjecting present and future trade union policy in all the European countries to constant blackmail. However one assesses this debate, one thing is certain: in the processes of economic and political change currently under way, the trade unions find themselves confronted with a new economic structure, one in which the boundaries of individual sectors - by which we mean their boundaries where their (trade union) organization is concerned - are increasingly becoming *“europeanized”* under pressure from the European single market. At the same time they are being internationalized as a result of companies' decentralization strategies (outsourcing, global sourcing, etc.). But the fact remains that they are not being sufficiently prepared for all this in organizational terms, despite all the progress made in the policy area at the level of the European Trade Union Confederation (ETUC) (see below). At the same time, the unions are confronted with a development in which the importance of national and sectoral links is declining, while global options - as indeed options at the regional and company levels - are gaining in prominence, and the significance of the “classical” form of the social closure of labor markets, the nation state, is waning. In other words, as the market boundaries defined by capital are expanding, the various trade union organizations are finding themselves faced with the risky dilemma of opening up the previously established, familiar forms of “social closure” which had a stabilizing effect on organization within the framework of the national labor market, and doing so both *outwardly* (with a view to Europe) and *inwardly* (under pressure from the growing differences within as well as between the various industrial sectors). As we all know, such "opening up socially" is “one of the most difficult decisions facing any organization, and something that normally comes into question only during a crisis or when all other alternatives have been ruled out” (Ebbinghaus/Visser 1994, p. 232 - with reference to Brunsson/Olsen).

Behind these challenges lies not only the European single market, but also, and increasingly, the dominance of international financial markets, which are forcing companies to utilize short-term, efficiency-oriented reasoning and arguments in their business policy - and this, in turn, is defining the social discourse and challenging the traditional, received forms of regulation. Today's business culture in Western Europe means not only the traditional “Fordist” approach as a potential model of productivity, but also - as Michel Albert has termed it - “*Rhenish capitalism*” (Albert 1992), designed as a cooperative, social system to function in the long term. And unions are finding themselves in the curious - and to them surely sometimes uneasy - situation of having to defend this form of capitalism, while at the same time being obliged to contain it as well as develop it further in social and environmental terms - in the face of Anglo-American deregulation which is geared towards a radical form of market-oriented capitalism, which in the short run is apparently more successful on the world market. It is a form of radical market-oriented capitalism that has gained an increasingly higher profile as a social prospect for the future, both through the collapse of “real forms of previously existing socialism” and as a result of the pressure exerted by the labor markets in the East. Moreover, in its present form it leaves the trade unions little room for manoeuvre.

Trade union policy today appears to have few ways of combating these global trends. Even pro-union, critical analyses label politicians generally - and the trade unions in particular - as mere actors caught up in the “treadmill” of globalization, i.e. primarily as victims. “You have no chance, but make sure you use it!" is the fatalistic slogan, and the listed alternatives without actors thus seem like "whistling in the wind." Politically, this feeling of being victimized has thus far only very rarely served as a catalyst for action; as a rule, it leads the actors involved into isolation, resignation and fatalism, or into unconscious revolt. So, the question is whether this really is the only prospect remaining in Europe when the globalization process is analysed.

However, to be in a position to answer this question, we must seriously address the thesis of the globalization of the economy, looking beyond the sensational, circulation-boosting headlines and spectacular isolated cases. At the analytical level, this does not only mean discussing the "negative scenario" of the globalization process, the current towards economic, social and above all ecological crises, and the loss of political independence as a consequence of "disembedding" of the coming of age of the money markets, however realistic this may appear to be (cf. the general message of Altvater/Mahnkopf 1996). Also, and above all, it means sifting out the ambivalent aspects of this process with a view to identifying clear alternatives for taking action. The concluding part of this paper will not discuss these alternatives for action at a global level, but will rather seek to explore the openings for trade union policy within the national and European contexts. As a rule, the unions in question are organizations whose "tune" has always reflected an international outlook, but which were long ago overtaken by the internationalization of capital.

The observations that trade unions are not just prone to dangers under the conditions of rampant globalization which turn them into mere victims, but that new opportunities can be identified for the representation of trade union interests at a European or international level, have been highlighted by Agnew/Corbridge (1995, p. 219) among others, who write that, "Globalization is not only a synonym for disempowerment. It creates certain conditions for democratization, decentralization and empowerment as well as for centralization and standardization. Globalization opens as many doors as it shuts." Whether the "opportunities linked with globalization" will ultimately be seized essentially depends on a) the extent to which the unions succeed in shedding the national constraints of their organizational structures and areas of action and internationalizing them, and (b) the extent to which opportunities and new organizational potentials are exploited. A strategy based on this must inevitably bid farewell to the previously "standard", tried and tested patterns of trade union behavior, and cannot simply invoke the dangers posed by globalization in the form of stronger deregulation and the disintegration of forms of social protection.

Before we can shed more light on the possible kinds of action which trade unions could take, we should probe in greater depth the truth of the central clichés associated with the globalization debate.

## 2. "Globalization" as myth

The focus of the new economic and social challenges facing us is the cliché of the so-called *globalization* of the economy, sometimes referred to as the "*trap of globalization*." However, since this process in the economy denotes not only a real trend, but also - in the context of the debate about the excessively high labor standards in Europe - "Eurosclerosis", or, in the so-called "production site debate" taking place in Germany, serves as an omnipresent ideological "fly-swatter" to be brandished by employers and pro-employer political parties in response to any kind of wage demands or social-political acquired rights on the part of workers, we must begin by briefly examining aspects of this cliché to see how illuminating it really is. We shall start off by concentrating on those aspects of "globalization" which can most likely be dismissed as myths.

*Firstly:* The term 'globalization' does *not* denote a new, historically *unusual* expansion of the volume of world trade on a global scale which has supposedly not already been noted in the debate on internationalization that has taken place over the last few decades. Admittedly, world trade has continued to expand in recent years and this trend has "accelerated" enormously, indeed showing rates of growth substantially above those applying to world production; but the magnitude of this volume is not at all unusual when it is borne in mind that world trade and the share of exports in the boom on the world market already attained a similar level prior to 1914. Moreover, the trade in question is taking place not "globally," but - with disastrous consequences for large parts of the Third World - almost exclusively *between the OECD countries,* and the structure of the integration of regional foreign trade into world trade has been extraordinarily stable since World War I. The respective shares of global trade are concentrated in Western Europe (over 40%), Asia (especially Japan and the emerging Southeast Asian countries - about 35%), and North America (almost 20%) (these figures being based on Küchle 1996, cf. also Dolata 1997, p. 101, Evans 1997, p. 3 ff.). The rest of the world, especially Africa, has effectively been unhitched from these flows in trade. In this respect, the unquestionably vastly intensified international trade is in actual fact an intensification of trade between the highly developed countries belonging to the triad and here again concentrated in the three regions of Europe, North America and Japan/Southeast Asia. Where Europe is concerned, the European single market accounts overall for only an 8% extra-European export share; and where Germany, the European country which currently occupies second place (after the USA) in global foreign trade, was concerned (in 1989), more than 75% of its exports represented intra-Community trade, while the U.S. markets (7.3% share) and Southeast Asian markets (6.3%) are underrepresented (cf. Simons 1994, p. 18). Correspondingly, the trend of these trade flows does *not* correspond to developments in the levels of wage costs, but rather follows the logic of the international *industrial division of labor*, in which the pattern of goods in the continental European trade flows and of exports can be described by the "threefold formula" of high-productivity, high-quality, high-wage products. The relatively minor clout of the wage cost argument in this connection, bearing in mind all aspects that must be taken into consideration, is also reflected in the empirical fact that just 1.2% of the total imports of the industrialized countries in the West (OECD) derive from so-called low-wage countries (cf. Altvater/Mahnkopf 1996, p. 248)[2]!

[2] For Germany, Hübner and Bley were able to empirically and theoretically demonstrate that there is hardly any link between the development of national wage costs and the international competitive strength of the economy, while there is probably a close link between exchange rate fluctuations and countries' competitive position on the world market (cf. Hübner/Bley 1996).

*Secondly*: Similarly, increased *direct investment* abroad, which is likewise held out as proof of the pressure of globalization, can *not* be accounted for by the globalization of the economy and - embedded therein - by the wage cost argument; instead it serves as a dynamo of globalization. With the exception of Japan, overall for all important industrial nations direct investment abroad and foreign inward investment are relatively balanced. This holds true for 1980 as well as for 1992 (data from Pochet 1996, p. 14 ff.). However, their scale has extended dramatically in the 1990s, in both directions (cf. ibid.). In (the western part of) Germany, high direct foreign investment is primarily an expression of the high value of the deutschmark, and thus of economic strength in the Federal Republic of Germany (although, of course, there does not always have to be a linear relationship between the value of a currency and a country's economic strength). Moreover, the German example shows that the increase in global trade is closely connected with that of direct investment abroad: the motivations for German foreign investment have been primarily to open up and secure markets (between 60% and 80% in a representative survey by the IFO (1996), cf. also Küchle 1996), while wage costs, along with many other factors, accounted for some 10%. So it is hardly surprising that some 80% of direct investment by German firms is spent in OECD countries, and above all EU countries (in line with Germany's focus for exports) - in other words high-wage countries - whereas, at the beginning of the 1990s, exactly 15% of direct investment abroad involving German capital went to “low-wage countries” in the Asia-Pacific region and only 3.8% was spent in Central and Eastern Europe (Jungnickel, cited in Altvater/Mahnkopf 1996, p. 257). This is also true for the development of global foreign direct investment (FDI) as a whole: “FDI has been concentrated among high and middle income countries. Over the decade of the 1980s, OECD countries were responsible for roughly 95% of FDI outflows and received 75% of inflows” (Evans 1997, p. 2, with reference to UNCTAD 1996). A further indicator running counter to the claim of globalization made on the basis of direct investment is the fact that over one-third of the stock of global direct investment is accounted for by intra-regional direct investment, with “above-average growth within the EC and in the Asia-Pacific area” (Dolata 1997, p. 102, based on Härtel/Jungnickel *et al.* 1996). Therefore, if the above-cited unhitching of entire continents from world trade and the unevenness of investment behavior presented here are not taken to be immanent contradictions of the formation of the capitalist world market (according to Altvater/Mahnkopf 1996), then it would be difficult for the world trade developments and development of foreign direct investment documented here to support the thesis of globalization.

*Thirdly*: In Europe, in the background of the economic developments outlined here, there can by no means be said to be excessively high wage costs when viewed in “global” terms; indeed there has been a demonstrably *favorable* development of *unit labor costs* for companies - i.e. the connection between overall wages and labor productivity. For example, while the economy in Germany compared with that in Great Britain, the USA and Japan, according to the above-cited IFO study (cf. IFO 1996), demonstrates the favorable development of unit labor costs between 1980 and 1995, in an international comparison overall the trend favorable for business in the area of unit labor costs, also indicated by an exorbitant increase in profit income, was partially contradicted by the rise in value of the DM (especially according to Hübner/Bley 1996). This generally highlights the function of wage incomes in the present confrontation; for if wage costs play such a central role in the public debate, it is because as socially variable costs they limit the extent of the share of profits in new value (net production volume), and by falling act as a stopgap or residual amount, so to speak, compensating for other structural, sectoral, cyclical and currency-imposed competitive weaknesses - to which we shall return below - especially if the pressure of the labor market represents an external “material constraint” that can be used for this purpose[3]. The argument also used in the globalization discussion and in the debate about a “Eurosclerosis” concerning an excessively high standard of labor regulation in the continental European countries, which, it is claimed, would raise employment costs and undermine competitiveness, must address the empirical fact that in the constantly cited counter-example of Great Britain, unit labor costs in the 1980s - i.e., during the Thatcher era - were higher than those in Germany and France, and that between 1970 and the end of the 1980s it was precisely those West European countries which boasted the highest standards of living (Denmark, the Benelux countries, Germany and France) which recorded not only the highest real wage increases, but also the highest labor productivity, in striking contrast to Great Britain or the USA (cf. Deakin 1997). According to the IFO (1996), by 1995 (1980 = 100) unit labor costs had fallen in France to the index value of 86.8, and in Germany to 87.8, while in Great Britain of the Thatcher era they fell to only 97.6, in the USA to only 99.2, but in Japan to 90.2 (calculations based on EUROSTAT and IMF)[4]. The highest labor productivities and the highest growth rates in labor productivity “are to be found precisely where the highest wages and highest social security contributions, the highest income taxes and the most expensive and generous social welfare benefits are paid. Countries like Sweden and the Netherlands rank highest not only in terms of their social welfare benefits and labor costs, but also in terms of their labor productivity” (Krätke 1996, p. 15). However, this argument, often used in the current discussion of wage policy and the welfare state, of a positive correlation between social guarantees, high labor standards and unit labor costs, does not have to convince *individual* firms - at the “micro-level”. After all, they are geared towards their own interests and focus on the short term, and for them individual economically “rational” behavior by no means has to correspond to macroeconomic or generally social, rational results.

*Fourthly*: Similarly, the employment crisis in Western Europe can hardly be accounted for primarily by the “globalization” of world trade, in which (as noted above) the EU’s export share is only 8%, or by the decentralization strategies facing multinational companies. If the loss of jobs through decentralization is balanced against the increase and safeguarding of employment from strategies of opening and retaining markets through the internationalization of production, then the export-intensive countries of Western Europe even come out on top. However, these same strategies might have cost jobs in other countries - the cliché of “international solidarity.” The OECD study on globalization, at any rate, concludes that international trade and direct investment have only a minor impact on employment (OECD 1996, p. 10). Looking only at the aspect of the *demand* for labor, then the decisive factor for the employment crisis in the internal market, as the reverse side of high productivity, is the high capital intensity of production, especially in the Central and Western Europe area. This dampens the job-creating effects of the fairly (relative to profit levels) reduced investment, whereas

3 The reference - often cited in this respect - to the fact that wage costs in many firms amount to barely 10% of total costs, however, is nonsense. Ultimately, wage costs determine the extent of the share of labour in net production value, and - macroeconomically - in “national income,” and thus limit the size of profit income, as explained by Marx in presenting the division of new value of production (“variable capital - new value”).

4 This situation is especially clear when Germany (FRG) is compared with the USA: whereas nominal wages in both countries rose by something like 100% between 1980 and 1994 (USA: +105%, FRG: +99.3%), real wages in the same period rose by +11.6% in the USA and by +34.7% in the FRG, while unit labour costs in the USA rose by +72% and in the FRG by +42.2%. The reason for this contrasting development was the different rate of increase in labour productivity, which rose by +16.5% in the USA but by 40.4% in the FRG over the period under consideration (all data from Kuda 1996). The fact that these figures are reminiscent of the comparison between the EU and the USA is reflected in a comparison of the average *annual* rate of growth of macroeconomic labour productivities, which in the period from 1986 to 1995 were +1.9% for the EU (EU-15) but +0.8% for the USA (from Schubert 1997, p. 1).

the "employment miracle" in the USA, as we all know, can be attributed to the fact that the growth rates for labor productivity are below those of production. This, in turn, was to no small degree possible as a result of the development of the personal services sector. Further causes - albeit differently weighted in the EU Member States - included the pressure of non-wage costs in labor-intensive small and medium-sized enterprises which primarily produce for the single market (while at the same time being a part of the overall process of capital reproduction), and rationalization processes, which have reached the services sector through the use of information and communications technologies. At the same time the latter sector is currently also being massively affected by cost-cutting policies in individual EU countries in the area of public administration and the social and public health sphere, under pressure from the race to join the single currency. Where Germany is concerned, on top of this come the dramatic unemployment figures and the costs associated with reunification: net transfers to the new *Länder* currently total DM 150-160 billion annually. Owing to the *Bundesbank*'s position in Europe, this imposed constraints on financial policy in the other EU countries, also in the first half of the 1990s, through high interest rate levels which were essentially linked with it, and therefore, together with the Maastricht criteria, it constituted the starting point for austerity policies with negative effects on employment. The second reason for the persistent large-scale unemployment in the 1990s in the presence of reduced demand, however, is the *supply side*, which is often not even mentioned in this discussion; namely, the number of job-seekers on the supply side of the European labor market, which rose sharply from the mid-1970s and through the 1980s. However, this is only related to globalization processes to the extent that the flows in immigrants in the 1960s and 1970s contributed to this high level of supply. Moreover, the growing demand for jobs, beside the entry to the labor market of "baby boomers", is due to a changed rate of employment for women (cf. the European Commission (EC) 1966, p. 23), and this is one - entirely welcome - result of the process of modernization in society. Indeed, the problem of employment would be more dramatic if the European countries - where the rate of employment in the 1990s was slightly above 60%, Sweden and Denmark being exceptions - had rates of employment corresponding to those of the USA (72-75%) (cf. CE 1996, p. 13 and Esping-Andersen 1996, p. 619)[5].

## 3. "Globalization" as reality

In summarizing the results presented here on the four levels of argumentation, one might not only conclude that the entire "globalization discussion" is artificial, but could also come to the result - which at first sight seems comfortable for trade union policy - that wages play no noteworthy role in the process of internationalization of the economy. It has already been observed above that this is not the whole story. In addition, however, based on the arguments presented above, the entire "globalization" and "globalization discussion" are presented as a "phantom" or as pure business ideology to keep the unions' wage policy in check, and on this basis it is maintained that nothing has changed except that now "the real socialism which supposedly existed in the past" has disappeared as an "alternative system " (though was it really that?) and that businesses can now move on to the offensive. To criticize this comfortable but problematic conclusion, we must now ask what globalization realistically

5 This thesis requires clarification, however, since a higher employment rate, which affects women in particular, also leads - as Esping-Andersen (1996) explains - to a "commoditization," a displacement of household work ("a working woman needs a wife"), that can entail positive employment effects, which in the USA has substantially led to "wealthless job growth." In this regard, a higher employment rate, all other things being equal, does not automatically have to lead to higher unemployment (cf. on this also Häussermann/Siebel 1996).

means today. One factor which is genuinely "new" in the current process of internationalization, and which also justifies the cliché of "globalization," is the above-mentioned internationalization of *money and financial capital*, the release (unleashing, *disembedding*) of money as *money* (and not as a means of exchange, circulation or payment; cf. Altvater/Mahnkopf 1996, pp. 129 ff.) and the transition to a so-called "casino" capitalism. This is a form of capitalism in which real production plays an apparently ever decreasingly significant role, but in which, because (to use Marxist terminology) the "circulations" of monetary capital and of productive and goods capital are "consumed" with each other, there remains an imparted interdependency between the money capital sphere and production, and in this regard the processes associated with the globalization of money in the context of "embedding" also involve regional and national production processes. In addition, the current processes involved in the internationalization of money capital and the possibilities for making production more flexible internationally are being given a tremendous boost by the development of new information and communications technologies. Here are a few further points in this connection:

*Firstly*: With the formation of Eurodollar markets following US indebtedness resulting from the Vietnam War, with the collapse of the Bretton Woods global currency system, with the subsequent flexibility of exchange rates, with the global debt crisis of the 1980s, and with the development of offshore banking centres, enormous, free-floating financial and speculative assets have accumulated on the back of government borrowing. This has in turn led to exorbitantly high financial turnovers (which were developed into a kind of "derivatives capitalism"). On the other hand, this meant that international yields in the area of financial investments and speculation were able to become relatively independent relative to the rates of profit of national production. The politically desired deregulation of the money markets led (according to Guttmann 1996) to high interest rate elasticities, high money creation multipliers, and the development of privately operated transactions systems - all of which led to relatively high yields in the area of financial investments, which are relatively autonomous with respect to the production process, and thus to the development of financial investment to the detriment of productive investment (the ratio of financial transactions to GDP rose worldwide from 15:1 in 1971 to 30:1 in 1980 and 78:1 in 1990; the currency turnover volume in 1989 was 20 times that of global exports and imports (cf. Heine/Herr 1996, p. 207 ff.); each day, a gross total of $1,400 billion is traded, of which 85% is so-called "hot money" (cf. Guttmann 1996, p. 183, corresponding figures from Hickel 1996). This development, in turn, leads to a rise in the risk inherent in the banking system, since there can be an accumulation of risks for individual actors and speculative yields promise above-average profits, which reduces the incentive to investments in the real economy (Hübner 1997). A growing instability of global money and commodity markets and of investment rates in the real economy thus becomes probable, because the "exit" options of investors are multiplied. The slump in the investment ratio (net investment/GDP) observable in the EU since the middle of the 1970s is essentially attributable to the exploitation of these exit options. However, relative to the thesis often extrapolated from the above-noted situation, namely that investment behavior is determined by international interest rates, it must be noted as a qualification that empirically a significant trend in favor of an internationally-oriented investment behavior cannot be clearly demonstrated, as shown by the analysis by Feldstein/Horioka published in 1980 and the subsequent debate among analysts, who claim that international investment behavior in the industrial countries is still based primarily on national savings rates (cf. as a starting point for the discussion: Feldstein/Horioka 1980)[6].

6 In addition, some authors (e.g. Krätke 1996) note that in trade in financial investments and securities the national banking and stock exchange centres are still preferred. However, this observation does not refute the above-cited trend towards growing instability and tendencies towards greater independence, especially in the speculative area of financial flows.

*Secondly*: A decisive factor for the emerging dramatic changes in the business culture in the countries of "Rhenish capitalism" in Europe is the trend for a growing number of companies, instead of taking out capital loans and using interest rates, to acquire the capital they need via the stock exchange, where they are increasingly confronted in their business policy with the short-term interests and calculations of shareholders. What is more, this is above all an international, global process, as reflected in the fact that the ratio to GDP of cross-border trade using shares and loans rose from 5.1% in 1975 to 169.6% in 1993. The rapidly growing, so-called "*securitization of debt process*" (cf. Guttman, *loc. cit.*, Heine/Herr 1996, p. 208 ff.), which from 1980 to 1993 led to a six-fold increase in lending and is accompanied by the growing importance of investment funds for the economy, as well as increasingly intense competition on commodity markets through the deregulation of international markets, is thus responsible for the transformation of social relations in companies into a "*business management issue*" as well as for the dominance of the short-term approach and variable costs - of which the most variable are *wage* costs. In the countries practising "Rhenish capitalism," this has led to a - sometimes dramatic - change in corporate cultures, which are increasingly geared towards the short-term dividend interests of shareholders - "*shareholder-value capitalism*" - and which therefore like to reduce workers (who in the period of postwar prosperity were raised to the level of "co"-workers) to the level of "production factor costs" that are to be eliminated as far as possible.

*Thirdly*: Through the use of modern information and communications technologies, transnational companies (TNCs) in particular, and companies in general, can switch their production to a new level of a policy of cross-border "external flexibility" as part of strategies of "lean production" and "new production concepts." Against this background, cross-border "*intra-firm*" and "*intra-industry*" trade in the 1980s and subsequently has increased sharply, albeit with substantial differences between the West European countries (with high shares of interlinkage) and the USA and Japan (with relatively low shares) (cf. OECD 1996, including Table 17). As a result, it is particularly easy for TNCs to mobilize different productivity, skills and wage cost resources in different countries via decentralization and "*intra-firm*" interlinkages, typically, not on a global scale, but concentrated in West European or American productive centres! In this connection, particularly labor- or wage-intensive production areas can be transferred to other countries, or inputs can be obtained from countries ("*global sourcing*") in which, on the one hand, the required skills are available and, on the other hand, the wage costs are low (as an example we can cite the by now famous Indian engineer, who via the Internet produces blueprints in his own country for firms in Europe). Here, the links between the internationalization of the economy and the practical possibilities offered by communications and information technologies have resulted in parts of labor markets being internationally opened up over a wide geographical area, and "social closure" processes by national trade unions being successfully evaded. To the extent that they follow such strategies, companies can avoid national reproduction cycles, which can have major consequences for the national reproduction structures developed in the period of post-war prosperity. At the same time, however, it must be stressed that such processes of "international flexibility" are still tied to productive regional centres (cf. below on this), and that there is little empirical proof so far of the contention that modern companies have no "nationality" (cf. Robert Reich 1993), as a series of critics has succeeded in demonstrating (cf. Pochet 1996, p. 18 ff.). In a nutshell, "International businesses remain heavily "nationally embedded" and remain MNCs rather than TNCs" (Hirst/Thompson 1996, cited in Evans 1997, p. 2).

*Fourthly*: With the internationalization of money capital and the international investment strategies of the "global players" (e.g., "multinational companies"), *nations* and regional groups of nations (e.g. the

EU) increasingly become *competitors* for this capital, try to keep their currency as hard as possible as an investment asset, and attempt to reduce the national budget, to economize additionally under the pressure of high interest rates on government debt. The individual nation state, which previously established and regulated the external conditions of the market, now risks becoming the football of international speculation and losing its independence in international “casino” capitalism, especially if it draws the fatal conclusion from this competitive pressure that there is no need for international regulation of the new conditions of competition, but rather increasingly subjects itself to this pressure by adopting a policy of deregulation, and attempts to improve its situation (read: cost) factors in accordance with these competition requirements. Paradoxically, the deregulation policy of individual nation states and groups of nations is even a decisive precondition for globalization processes, which now erode the independence of policy. The attempt by national governments to respond to the globalization trends which they themselves have released, leads - just like a “sorcerer’s apprentice” - to a new form of internationalization of economic policy, namely the internationalization of the aforementioned ruinous race by national economic policies to reduce costs - a race that tends to result in a game in which nobody ends up as either a winner or a loser but all participants end up sacrificing their productive resources (infrastructure, skills, social and political stability) and being landed on the edge of an economic desert with empty hands and empty treasuries, but full prisons.

## 4. Starting points of policy

The points mentioned above should make it clear that the cliché of globalization is fully justified and has - or can have - very real, and indeed fatal consequences for the social and economic relationships in the other EU Member States, especially if the globalization game is played in a politically incorrect manner. The central question for political action must concern the possibilities of regulating the “disembedded” money economy at international level.

### 4.1. “Re-embedding” as a political objective

First of all, it is generally true that processes of increasing instability and growing insecurity necessarily produce political and economic strategies of the social actors that promise more security in insecurity. For example, historically, processes involving the “disembedding” of the economy, as described by Polanyi (1957) in *The great transformation* and by Altvater/Malmkopf (1996) to substantiate the globalization process, cannot be determined absolutely; such disembedding processes have historically always simultaneously been processes which of necessity led to subsequent re-embedding. For example, the achievement of the competitively produced property owners’ society in the early bourgeois social system provoked the “rule of law” that was already described at an early stage by Thomas Hobbes in his “Leviathan” as a process involving the “embedding” of the liberated market competitors. And this form of “embedding” grew ever wider in scope in the development of bourgeois society as an upshot of social conflict and the enshrinement of what was achieved in labor and social laws. Therefore, a political answer to the ambivalent globalization processes described here must address, support and advance the economic and political strategies of actors, and do so at the various levels on which globalization processes operate, namely the region, the nation, the regional association of states, and the international and global level[7]. Therefore, a "*re-embedding*" through ways of regulating the economic and political actors' international options for action, which are becoming dynamically independent, can be termed a starting point and policy objective, a starting point that is not without problems, since ultimately forms of regional regulation are always forms of social closure as well, which have (or at least can have) an exclusionary nature with respect to third parties. And as disagreements in the WTO negotiations have shown, even international or global forms of regulation can be discriminating by nature if they do not allow for the different levels of development of national economies and contain no material compensation mechanisms. Processes of "re-embedding" must therefore be connected with concrete international solidarity if they are not to produce new imbalances. We shall return to this below.

Such an international "re-embedding" in the form of regulation is currently made more difficult by the fact that, in contrast to the early-bourgeois development, a "state" is not available on the world market as a regulatory body, nor is it necessarily desirable as a "world state." Decisive here are thus, *first*, regional associations among existing nations and within groups of nations or economic communities (EU, NAFTA, Mercosur), international organizations (WTO, ILO/OECD, IMF, etc.), and international ad hoc associations (Rio, Montreal), which however always leave individual states ("third parties") "free rider" options as a possibility[8]. At the same time, the levels of trade mentioned here offer difficult access to organizations, which - like the trade unions - are still (and for good reason) bound to national political arenas and markets, often at the cost of only being able with difficulty to convey the interests of their members and the substance of their policies at these levels of abstraction.

*Trade unions* are challenged in national labor markets through "disembedding" and globalization trends because companies, through the increased flexibility of large firms on international labor markets and the high flexibility of capital, take increasing advantage of "exit" options relative to national investments (cf. on this Hirschman 1970), and thus are able to evade national regulatory systems and trade union demands. In reality, therefore, the balance of compromise built into the continental European political and economic systems between wage labor and capital, and in particular the institutional fabric between wage labor, capital and the welfare state characterizing "Rhenish capitalism," is coming under massive pressure. Capital, whether as money or in the form of multinational companies having the above-cited possibilities, does not have to play this "game" any longer; the "*cooperative disciplining* of capital" (Streeck 1996, p. 19) is disappearing. As a result, through even the *threat* of relocation, industrial relations can be destandardized and differentiated according to the degree of capital's relocation options, and the concept of a wage policy based on solidarity, the regional wage agreement, and a social cohesion policy can be evaded.

[7] We cannot resist here using the term "region" with different meanings, namely to refer to a 'region' within national economic areas, a 'region' in the sense of different economic areas in Europe, and a 'region' in the sense of globally distinguished economic areas (Europe, North America, Southeast Asia, etc.).

[8] For this reason, the initially obvious perspective of internationalization, one which also internally eases nation-state policy, is not one of international regulation, but that of liberalization of the nation-state political structure, as Wolfgang Streeck stresses: "Cooperation beyond 'negative integration' is...unlikely. (...) From the perspective of nation states bound to an international system of *market-opening multilevel policies,* liberalization of their economy is the most obvious answer to economic internationalization. Politically, liberalization relieves the nation state of tasks - above all the political guarantee of full employment - which it has long been unable to take advantage of following the collapse of the post-war international order supporting it." (Streeck 1996, p. 12, italics added by present authors).

In this respect, political starting points must be developed (not only by and for trade unions) in which, on the one hand, companies' utilization of the “exit” option is at least hampered or directed in “socially acceptable” directions by means of *resistance* (“*voice*” option) and through demands placed on regulatory systems at the level of national *and* European actors. Secondly, such a policy must also *intervene in the economic and social restructuring process*, in order to open or keep open future paths of action in the sense of a “social infrastructure policy.” And thirdly, these options for action in the sense of a “policy of social cohesion” must be connected with nationally and internationally *positively discriminating regulations* and with *redistribution policy*, if the result is to be more than social division and differentiation internally and a new form of social closure at the supranational level externally[9]. In a certain sense, therefore, we are talking about a political task the solution of which is equivalent to “squaring the circle,” a view also shared by Ralf Dahrendorf with respect to the globalization process (cf. Dahrendorf 1996).

Before we present these trade union policy options below (see section 5), we should first establish the economic and social starting points for this policy by examining the question of which starting points for policy are most suitable within the framework of the economic restructuring process in Europe.

## 4.2. “Europe as a production site”

There is no such thing as a uniform economic area called the European Union, even if the single market long ago became reality, or is about to become so. In the EU, in economic terms we can distinguish four areas of regulation (hereafter referred to as “regions”), which can be further differentiated in terms of the various national economic structures and regulatory systems: *Firstly*: the Northern European region (Finland, Sweden, Denmark), characterized economically by high labor productivity in industry and successful “niche production” on the world market, and politically still by a social democratic statist political and welfare state model, and thus distinguished by a high welfare state sector, and whose industrial relations (to varying degrees) are part of this statist regulatory model. *Secondly*: the region of “Rhenish capitalism” (West Germany, the Benelux countries, parts of France and northern Italy), which can be characterized by a highly productive, export-oriented and (previously) successful Fordist production model (“high-quality, high-skill, high-wage production”), whose regulatory system, especially in the German area, is characterized by corporatist association structures, a functional connection of industrial and bank capital, high labor standards, and a high share in the social product of the welfare state and social security. *Thirdly*: the region of “southern enlargement” of the EC (Portugal, Spain and Greece, though southern Italy also belongs here in economic terms), i.e. areas with economies that are still strongly agrarian and which have regionally dominant traditional social structures, also characterized by high-productivity islands (individual companies or entire districts centered around large urban centres such as Barcelona), yet which function more as subcontractors to the productivist core of Europe. And *fourthly* we have Great Britain and Ireland, where Great Britain in particular is characterized by the separation of industrial

[9] The difference between a “*social infrastructure policy*” and a “*social cohesion policy*” is taken from the above-mentioned contribution by Streeck (Streeck 1996, p. 19); unlike Streeck, however, we understand both these starting points of labour policy not as being mutually exclusive *perse*, however worthy of consideration Streeck’s objections may be. The political task of a “reflexive modern” (Beck) lies precisely in the task of regulating the process of differentiation (pushed forward by globalization processes) such that in the differentiation social cohesion is preserved and is linked with new emancipatory options for action. Using the example of German trade union policy, we have provided a contribution to the discussion with other colleagues (cf. Hoffmann *et al*. 1990).

and financial capital and the conquest by brute force of a "mature economy" by Thatcherist radical market policies, which resulted in a drop in the standard of labor, forced the unions and "collective bargaining" systems into a corner, and reduced and partially privatized the social security system and state infrastructure policy (education, science, public health).

Yet the difficulty in our context in treating the Europe of the EU as a single whole stems not only from these differences regarding economic preconditions and forms of regulation at the level of the European *regions*; it also resides in the fact that the differences within the various *national* systems themselves, not least due to the actors' reactions to globalization processes, are large and growing still further (cf. Marginson/Sisson 1996, p. 6 ff.). A growing "eclecticism" (Regini) at the management level is now becoming possible as a result of the fact that the "systems of industrial regulations are becoming harder to enforce and less capable of resulting in harmonization" (Streeck 1996, p. 14). At the same time, there is a widening gulf between large flows of capital, which are geared towards the international market, and small and medium enterprises, which are geared towards the domestic market. To find starting points for policy in this increasingly complex spectrum, in what follows - and without making any claim to deal with all aspects - we will outline various aspects of the relationships between globalization processes and European economies, concluding our presentation at the international level of regulation.

### *4.2.1. The countries of "Rhenish Capitalism" and social democratic statism under globalization pressure*

On the basis of what we stated above, it is the first and second types of region in the EU which will be bound to endure particular problems with the globalization processes already described, which are characterized by high labor standards, corporative associations and structures comprising associations of states, and cooperative business cultures. In this regard, it seems sensible to analyze in greater detail in relation to the globalization process especially those regions characterized by the "threefold formula" of "high-quality, high-skill and high-wage production." Especially at the political level of the EU and OECD finance ministers (cf. Evans 1997, p. 9 ff.), it is precisely these forms of regulation which are held responsible for "Eurosclerosis" and are meant to be changed through deregulation and liberalization, if it is concluded from the globalization processes that wage negotiation systems must be decentralized and made more flexible, minimum wages lowered and deregulated, and the state sector "slimmed down," made more flexible, or privatized (cf. ibid.).

As a result of phenomena associated with economic crises, this political assessment is being given added force in the classical Western and Northern European high-productivity regions and sectors mentioned above, since high-quality production based on the high productivity of a skilled workforce and high wages is ever more clearly coming under pressure worldwide from competitively priced products (cf. summarizing the situation regarding, say, Germany, Simons 1994, Streeck 1995). This development is also associated with the trend towards internationally standardized productive preconditions for production as a result of the impact of modern communications and information technologies. In major sectors, like the automotive industry, the focus is no longer on high-quality competition based on ("immobile") system-related knowledge, but on price (and hence cost-related) competition. At the same time, as a result of the globalization process, the functional and productive relationship that exists between sectors as well as between large, high-productivity and world-market-oriented companies and small and medium-sized enterprises producing for the domestic market - and in some cases as subcontractors for these large companies - is becoming looser or even threatened. This is because companies geared towards the world market can now, based on comparative cost-related advantages, internationally procure inputs and company-specific services based on strategies involving "outsourcing" and "global sourcing," and thus escape redistribution mechanisms on the domestic market (via wages and prices). This is why the various bodies of national legislation (especially in Germany) are now coming under pressure, for these companies and sectors, which had previously enjoyed an (indirect) share in the large firms' success on world markets, often have very labor-intensive and wage-intensive production and thus bear the main burden of non-wage costs (which go towards financing social security systems). At the same time, in the German system it is these very firms which are most deeply involved in the training of skilled workers. And this split between large and small or medium enterprises is systematically promoted by an economic policy that does not support the productive, often regionally-fixed ties (cf. point 4.2.2.), but is based on the productivity-related success of the large firms.

In this connection, an innovative regional and structural policy would therefore be a sensible starting point for a policy that does not maintain old structures, but systematically promotes new, post-Taylorist economic structures and immobile factors of production, a policy which raises the regions' capabilities for interlinking and thus makes them economically more attractive, and also which combines this new attractiveness with new social and ecological regulations ("regulation of flexibility"). It is precisely the promotion of "post-Taylorist" enterprises and regions that could be one starting point in this respect, as well as a political objective (a proposition we address in greater detail below). An urgent accompanying task - and one which would have to integrate economic, social and ecological responsibilities - would entail the political reform and promotion of basic research, of scientific and educational knowledge, as well as the transfer of knowledge (connected with both of these).

In addition, the systems for levying social security contributions, in the countries where these are financed through insurance systems focussed on earnings-related income, primarily constitute a burden on the "cost factor" of labor, with the result that the costs of this factor increase with the need to finance growing social problems. At the same time, it is this very factor which declines proportionately as production becomes more capital-intensive. For economic reasons - i.e. not only for the social policy reason of preventing discrimination against those who lack, or have not had the opportunity to obtain, gainful employment - there already seems to be an urgent need for a reform of the bases for tax assessment and the medium-term transition to a tax-financed social security system.

### *4.2.2. The region and enterprise strategies in the globalization process*

The prevailing policy of most national governments in the EU is one of locational competition, which sees the lowering of wage and non-wage costs and profit taxes and the deregulation of industrial relations as suitable means to achieve more growth, higher employment and balanced state finances. But such a policy, which leads to an international race to lower costs, not only endangers the future of one's own productive base through cutbacks in spending for material infrastructure and for education/training and reduction in individuals' security of expectations, but also jeopardizes "social cohesion". Paradoxically, it also makes itself increasingly open to extortion through the politically implemented expansion of companies' "exit" options. Obviously, such a policy starts from the premise that the capital being courted - and it must be courted - is fully liquid and "fleeting as a deer."[10]

In contrast to this, we believe that the possibilities for capital to evade national and social constraints through financial investments are not so unlimited as assumed in this scenario. First of all, the financial sector's returns are naturally linked to real production, thus to the expenditure of labor in the capitalist production process, although this is a connection that only imposes itself on the participants, including workers, through monetary crises, stock market crashes and other breakdowns (and thus threatens those who obtain a surplus in production through careful management equally as much as the 'financial jugglers' and "*global players*"). In addition, productive capital cannot simply be transformed into financial investments; it is fixed to the "location" as "fixed capital". *Some* German employers, for example, who presently fear for the social consensus in view of strikes and their high costs, obviously value highly the "German location" (and Europe) with its high productivity and, if they can calculate, will demand cost-reducing reforms and restructuring programmes (in social security as well) whose political advisability would be questionable. However, they will not risk any destruction of this highly productive and profitable situation by provoking large-scale social conflict.

At least for the foreseeable future, the high productivity of regional centers in the countries implementing "Rhenish capitalism" prevents any type of "*global sourcing*" - as noted above with the example of the skilled Indian engineer - from becoming a mass phenomenon and thus leading to waves of dismissals. In developed capitalist economies, a productive type of production today involves more than the wage cost factor of a skill area; it involves more the regional networks of small, medium-sized and large firms, university science centers, the high production knowledge produced in the educational system, a developed infrastructure, a high standard of regulation of labor and of social security, and above all (still) high social and political stability. These regional locational factors, on which the high productivity in continental Western European countries is still based, can certainly be extended through "global sourcing" of the type under discussion, but they cannot be replaced. The still-existing productive "embedding" of companies in such economic and social networks of the region (cf. especially Kappel 1995) also prevents us from assuming that capital has unlimited mobility, as almost always occurs in the globalization debate. In fact, it could conversely be concluded from the market turbulence and currency instabilities accompanying the "globalization" and "de-embedding" processes, and from the trend towards more complex products and shorter innovation cycles, that being embedded in a regional network promising continuity is an important precondition for innovation by companies (cf. Läpple 1996, p. 136), *because* such an embedding promises productive potential and

[10] This perspective characterizes positions like those of Altvater/Mahnkopf (1993) or the several contributions of Streeck on the European Union, for example, in the contribution cited here several times (1996). There follows from this a retreat to the national level as the place to defend the welfare state while neglecting the opportunities offered by the European level of regulation.

security of expectations on the sole basis of which it becomes possible to “play” in a globalized competition (cf. also OECD 1996, p. 17: “*Localization*”): the return to regional potentials here becomes a precondition for coping with global challenges (cf. Läpple, *op.cit.*).

Moreover, the currently predominant policy of a race to lower costs fails to recognize central problems of restructuring regional policy or misses their solution, since the problem, which is that large parts of the previously successful Fordist-Taylorist production model in Western Europe - if they do not want to remain trapped in Taylorist forms of production - face new and highly competitive buyers’ markets and must simultaneously develop new productivity resources, is not solved through a policy of naive cost reduction; in fact, its solution is hampered. The restructuring of companies and regions towards flexible and interlinked production, more flexible mass production and flexible specialization, requires an active structural and skills policy that is highly region-oriented, one which raises the interlinkage capability of regional structures and their skills potential. After all: “These ‘high skill - high trust’ organizations compete in a different and clearly more benign world than their Taylorist rivals. The policy implications of this are that governments can move their economies onto higher growth paths by encouraging technological diffusion, innovation, ‘good practice’ management techniques and the development of appropriate infrastructures for the ‘information society.’ ‘Learning societies’ and knowledge-based firms are the key to success” (Evans 1997, p. 11). It is not deregulation that is needed here, but re-regulation in the sense of new, intelligent regulations, which link companies’ interest in flexibility with the individual’s flexibility needs, which link the opportunity for more participation and a more ecological production with protection from the risks of greater flexibility and higher skills, and which at the same time prevent sociopolitical marginalization tendencies. Social, economic and ecological *sustainability* will thus raise companies’ confidence and survivability and, in the long term, ensure them more chances in the globalization process: “In this scenario labor market deregulation is not a central issue. International functional flexibility of workers in line with changing work organization is much more important to firms. Flexibility to ‘hire and fire’ looks at best irrelevant and at worst could encourage the low wage/low skill route to competitiveness. The challenge for OECD countries is how to move the whole of their societies and not just an elite on a ‘high route to competitiveness” (Evans 1997, p. 11).

But the fact that for individual firms this path towards a low wage/low skills production is a fully attractive alternative in the process of restructuring is shown from a current German example: in the opinion of various industrial sociologists and political scientists (Kern/Schumann, Jürgens, cf. Kern/Schumann 1996, p. 721), besides the already mentioned tendencies to adopt a “shareholder-value” business culture, at least *some* firms, under the pressure of intensified international competition, are inclined to halt their - in some cases - fully successful restructuring process, carried out with the help of skilled labor (the “production intelligentsia”) and aimed at flexible production open to participation, in favor of a “neo-Taylorism” in which unskilled and semi-skilled activity, corresponding to a policy focused on the short term of wage cost reduction as the answer to international competitive pressure, forces back the position of modern production labor (“production intelligence”). But the result of such a policy, as Horst Kern/Michael Schumann (1996) logically conclude, would be that the long-term “situational advantage” of high-paid skilled labor, that also provides high-skill quality production and is cooperatively and consensually bound into industrial relations, is wasted, and with it the possibility of “sustainable” productivity development would be sacrificed on the altar of short-term efficiency considerations. A policy supported by trade unions and works councils of preventing this business strategy would thus yield social modernization effects as a consequence.

#### *4.2.3. The Europe of the European Union as an opportunity in the globalization process*

The development of trade flows and of direct foreign investment shows that globalization occurs not in a single gigantic leap, but as a process and in individual waves. In the globalization process, the EU can be fully viewed as a possible reference model, since despite all sociopolitical shortcomings it is not a neo-liberal free trade area. It should not be forgotten here that since its beginnings European integration has been essentially directed by economic interests and has primarily been an "economic and market alliance" (Bercusson *et al.* 1996). At the same time, however, political motives have always been present, as can be seen in the founding of the European Coal and Steel Community[11]. However, the single market was first of all intended to improve the competitiveness of European companies under the pressure of world market competition. It was a programme to encourage competition, to break out of the "encrusted" economic and technical-industrial structures, but also the social ones as well, of the so-called "Eurosclerosis" (cf. Wobbe 1993, p. 19). The "supply shock" through liberalization was intended to promote the return of European companies to technological world leadership (Cecchini 1988, p. 104).

The economic and social effects of the single market have often been exaggerated, although it can be assumed that they accounted for a substantial share of the 9 million jobs created in the EU from 1986 to 1990, a substantial proportion of which were, however, destroyed in the recession of 1992-93. Similarly, this temporary success cannot obscure existing structural deficits. European industry on the whole has indeed been able to improve its position in slower-growth markets, but it has a clear deficit in the sectors and fast-growing markets belonging to high-tech production. With the presentation of its White Paper (European Commission 1993), the European Commission has provided a substantial, albeit contradictory, contribution to the "production site debate." It comes to the following conclusion: "the Community's industry has improved its position on slow-growth markets (...), whereas its results have deteriorated on markets with a high added value, such as office automation, computers, electronics, optical instruments and medical and surgical equipment. Structurally, it therefore does not meet the requirements of the markets of the future" (Commission 1993, p. 65). Conclusions are drawn from this: in order to raise the interlinkage capability of modern production associations and contribute toward improving "systemic competitiveness," it is suggested that trans-European networks should be built and developed in the fields of telecommunications, transport and energy infrastructure. The Community-wide creation of "information superhighways" should bring spatially separated businesses together into strategic alliances and promote the interlinkage capability of modern production associations, thus systematically promoting immobile production factors. Trans-European transport networks and energy systems should modernize the EU's infrastructure and simultaneously build bridges to Eastern Europe and North Africa. The challenging, but ecologically entirely feasible project can also make a concrete contribution to solving the European employment crisis. However, under the pressure of the Maastricht convergence criteria the financing of individual projects (investment volume of 524 billion ECU) is a wholly unresolved problem[12].

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[11] Various studies of the European Coal and Steel Community (ECSC) note that the social partners have a formally and institutionally protected influence on the economic, industrial and social policy of the coal and steel industry, which to a large degree has contributed to socially acceptable crisis management (cf. Coal and Steel Committee Liaison Office 1995).

[12] The Commission's annual economic report notes individual progress in the financing of the trans-European networks (TENs), but necessary decisions on expansion of the financial resources have so far not been taken and the surpluses from the agricultural fund were not, as Santer called for, allocated to the TENs but instead went back into the member states' treasuries at the decision of EU finance ministers.

Contrary to the neo-liberal view that Europe's economic system is not competitive because of its high wages and social welfare benefits, in its White Paper the Commission arrives at a more mixed assessment: in contrast with a low-wage strategy within the EU, and thus counter to the path taken by the US, it is noted that labor costs are not at all the sole factor determining international competitiveness, and that sharp fluctuations in labor costs are the consequence of massive exchange rate fluctuations in the bilateral exchange rates of the ECU, dollar and yen. In addition, it is argued that wage differentials relative to the new industrial countries are so huge that they can hardly be overcome through wage reductions or a low-wage strategy for the purpose of achieving any sort of competitive advantage (cf. Commission 1993, p. 67). A "second" path is thus proposed, one corresponding to the "spirit of the European social model". According to this, the growth in real wages should be one percentage point below the growth in labor productivity. In connection with the Maastricht convergence criteria, especially with the reduction of public budget deficits, private investment activity should be clearly stimulated - a course ultimately at odds with the neo-liberal illusion that more employment "automatically" results from greater private profits, and which overlooks the facts that the profitability of investment Europe-wide since 1982 has steadily grown and that not only are real wages a percentage point behind productivity growth, but that (employed) workers have already had to accept real wage cuts in stages (cf. ETUI 1996). Here as well there is too little thought given to the fact that productivity growth is not only *part of the solution to the problem* but *part of the problem* itself, when it leads to furthering processes of division in society (the dissolution of social cohesion), with the accompanying growth of unresolved environmental problems.

On the other hand, the Commission's recommendation to lessen the "labor" cost factor through a clear reduction in non-wage costs in the form of wage taxes and social contributions seems more effective here. A clear reduction could break the above-cited vicious cycle in which the costs of this factor rise with the financing of growing large-scale unemployment, while at the same time it is precisely this factor that declines due to a growing capital intensity of production. This is even linked to environmental measures: "The CO2 energy tax proposed by the Commission should - independent of its other justifications - be one of the most suitable possibilities for compensation in order to reduce labor costs. The uniform taxation of capital revenues at source, as the Commission proposed back in 1989, would also be a possibility for compensation" (Commission 1993, p. 20).

The future skills supply of labor should be of major importance for Europe as a production site, with respect to both international competitiveness and the modernization of labor markets and individuals' opportunities for self-realization. The EU White Paper notes among other things that the employment system no longer meets the requirements, which have clearly changed under conditions of globalization. Recovering and preserving the competitive position and lowering unemployment require a skills profile of workers that is adapted to innovations of work-organization technology, one that ensures high productivity and correspondingly high incomes and can contribute to company-internal and company-external flexibility required as part of new production concepts. "The introduction of more flexible and open training systems and the development of individuals' adaptability are becoming increasingly necessary; for companies as well, to enable them to better utilize the technological innovations they have developed or purchased" (Commission 1993, p. 132).

The European Commission's employment report for 1995 estimated the dynamic of structural changes on labor markets at 10%. This means that each year 10% of the jobs are replaced by new ones requiring a higher, or at least changed, skills profile. The breakneck introduction of new technologies makes previous skills increasingly obsolete. Allan Larsson (of the European Commission's DG V) believes that about 80% of the technologies currently in use will be outmoded in ten years. At the same time, however, 80% of European workers in the year 2007 are already on the labor markets (cf. Larsson 1996, cf. also Commission 1993, p. 132). It is thus only proper to call for a broad "*advanced training offensive*" to which trade union qualification demands would be directly connected. According to the European Commission's assessment, the universities - among others - must play an increasing role in developing new opportunities for further education, for which they must be provided with the corresponding resources (cf. Commission 1993, p. 133). However, a further contradiction occurs here resulting from the restrictions of the Maastricht convergence criteria: in place of promoting the necessary development of education systems, national culture and science ministries are subjected to the cost-cutting dictate of their finance ministers.

The Commission's recommendations for an innovative labor policy are also contradictory. The reduction of the working week is described as a "wrong path", since in particular it hampers internal flexibility and thus the promotion of productivity. In general, however, it is not denied that working time reductions in recent years have made a clear contribution to employment security and job creation. In the Netherlands, for example, half of the 30% rise in employment can be attributed to the reduction in average working time (Commission 1993, p. 140). Against this background, new forms of working time policy are recommended consisting of various elements, such as flexible retirement rules, modulated working times during the year and expanded part-time models (cf. *op. cit.* p. 20). In contrast to the neo-liberal mainstream, it is fully recognized that innovative working time concepts could increase companies' innovation capability and, in combination with new forms of work organization, contribute to enhanced productivity. However, thus far this has not led to the Commission proposing corresponding directives for an innovative working time policy[13]. Special attention should be paid to suggestions related to an interconnection of skills-enhancement and working time: "In view of constantly growing productivity, and to achieve a better distribution of employment, there should be a further reduction in working time and a balance between working time and training time, although it is still not known how quickly and under what conditions this will occur. New paths are opening up to couple working time organization with the development of training" (*op. cit.* p. 133 ff.). This provides fully concrete connection points for a trade union working time policy. The fact that working time must today be adopted as a theme in the context of the total working lifetime is nothing new to trade unions either (cf. ETUC 1995). Refinement of a working lifetime concept, in which various elements such as training and further education time, part-time work and part-time retirement, sabbaticals and parental leave are systematically interconnected, could be a promising starting part for the redistribution of paid work. At the same time, a substantial contribution would be made to the compatibility of family and career.

The fact that an effective employment policy exclusively at the national level can no longer be successfully managed under the conditions of globalization and European integration was finally - and belatedly - recognized at the 1994 EU summit in Essen. Better coordination of labor market policies and agreement on employment policy priorities (promotion of investment, raising the employment

[13] The 1993 working time directive is indeed an attempt by the Commission to establish minimum standards, but it does not in any way correspond to an innovative working time policy. On the other hand, more interesting, but unsuccessful, are the Commission's efforts to socially regulate increasingly important atypical work relations. Corresponding proposals for directives were tabled as early as 1982(!), but so far they have not been adopted in the Council due to the consensus requirement. To break through this blockade, the Commission has called on the European social partners to reach corresponding wage agreements under the rules of the social protocol (cf. Dürmeier 1997).

intensity of growth, lowering non-wage costs, active labor market policies, improvement in measures on behalf of "problem groups of the labor market") are all aimed at making a concrete contribution to modernizing labor markets. The first successes have indeed been realized, yet many EU member states, citing the EU's employment policy priorities, lean towards giving preference to a further deregulation of labor markets and a dismantling of social security systems (cf. Foden 1996). Despite all the positive beginnings in the direction of a European social union, it must not be overlooked that to date in European integration this essentially involves a market integration in which economic interests clearly predominate. Through persistent large-scale unemployment and the further dismantling - in place of a necessary innovative reform - of social security systems, a deep crisis of legitimization threatens the EU, which can jeopardize the political and social integration process over the long term. If the EU really wants to establish itself in global competition as a "reference model", then the opportunities must be utilized that arise in the Intergovernmental Conference that aims to review the Treaty on European Union. Among other things, this includes further democratizing the EU institutions and strengthening the European Parliament, adopting fundamental social rights in a future European constitution and anchoring an active European employment policy in the treaty (concrete suggestions can be found in ETUI 1996). A deepening of the integration process with the revision of the treaty will finally equip the EU for the historically and politically necessary enlargement to include the new democracies in Central and Eastern Europe (cf. ETUI 1996, Bercusson *et al.* 1996); above all, however, such a revision of the treaty could give the EU an image as a unified actor in the globalization process, one that can intervene on behalf of an *international* regulation of unleashed global and money markets according to principles of democracy and solidarity.

#### *4.2.4. Regulation opportunities at the international level*

Even if trade unions, in contrast to national governments and the European Union, have hardly any chance of exerting influence at the "global" level because of their limited sanctions potential, which is tied to labor markets, they can nonetheless bring their weight to bear in the form of support for internationally operating organizations and in international negotiation systems. Ultimately, for the regulation of global financial markets and trade flows this is the final level, at which concrete possibilities already occur. Thus, already today, beyond regional arrangements (such as the EU), we can recognize the beginnings of an international regulation that can approach the above-cited goal of a political, social and ecological re-embedding of global economies, and that can thus be taken up by a policy for representing trade union interests as well. Consequently, there are international regulations governing world trade and capital flows in the form of (currently very inadequate) international agreements (Rio, Montreal) and in the WTO (World Trade Organization), OECD and ILO, and at the financial policy level of the International Monetary Fund and the World Bank, although until recently these last two have themselves substantially promoted "unleashing". But at the same time, there exist in these organizations institutional preconditions for such regulation. Especially at the level of international conferences on trade agreements, basic rights in labor relations (freedom of association, wage rights, prohibition of forced labor and child labor, non-discrimination) and human rights are increasingly becoming accepted as absolutely essential in negotiations - with consequences: "The fact that in January 1997 the OECD has been ready to censure the Republic of Korea - a new member - for not living up to commitments on freedom of association and collective bargaining given when joining the organization, is highly significant. It did not happen in the case of Mexico's membership in the OECD and would have been unthinkable even five years ago" (Evans 1997, p. 7). Behind this are not only national governments, but also - this was especially evident in the disputes over the NAFTA treaty - the beginnings of international players in the form of non-governmental organizations (NGOs), which initiated processes of re-embedding through internationally coordinated protest actions (public information campaigns, consumer boycott actions, occupations, etc.) (cf. also Fuchs 1996). However illusory and dangerous it may be to expect quick results here, it would also be highly problematic to represent these beginnings as condemned to failure *per se*.

International forms of regulation are also being discussed for "casino" capitalism and have chances of being realized: at least within the framework of the European Union, an effective barrier has been established against EU-internal speculation with a common currency - notwithstanding the undeniable problems associated with the manner of introducing the "euro" without accompanying social policy measures (cf. also Martin/Schumann 1996). In addition, the potential for extortion by individual multinational companies can be blocked through harmonization of tax systems that should be internationally demanded (i.e. "ecological tax reform") and regulatory policy. Moreover, regulating short-term financial transactions (which, as noted above, account for up to 80% of total transactions) and raising their cost (e.g., through the project for a "Tobin tax", cf. also Martin/Schumann 1996 and Altvater/Mahnkopf 1996) could reduce the risks of the international liberalisation of financial capital. Beside the "Tobin tax" there are several proposals "to throw sand in the wheels of international finance". However, these proposals, which range from minimum reserve requirements for "hot money" in national banking centers, international agreements on capital taxes and international forms of regulation of banking and financial center activities (an overview is given in Evans 1997, p. 13 ff.), all face the problem of "free rider" behavior by individual nations. Ultimately, the question here will be settled by whether it is possible to obtain a majority of states - still to be developed - to prevent such "free rider" options or achieve international cooperation and/or sanctions. And the question arises also of the extent to which social movements and organizations in those countries exploiting the "free rider" option can generate social pressure internationally. In this regard, this is a further question of the achievement of civil and social liberties, and thus also a genuinely trade union oriented question.

## 5. Globalization of the economy, the European Union and trade union policy in Europe

The current strikes in Germany, France and Denmark have shown that the trade union and company players are regionally not so helplessly subject to globalization pressures as the "horror scenarios" on globalization (often presented in their own publications) suggest. For example, it appears that the resistance to reductions in the continuance of pay in case of illness have currently forced capital owners and managers to "an understanding of the necessity" that the model of 'Rhenish capitalism" cannot be simply written off without serious financial losses in the short term. This could be *one* basis for a new "*social contract*", which would not only have to be defined economically, but would also have to be socially and ecologically open (cf. on this Roustang *et al.* 1996) and support the resistance of social movements to the destructive consequences of globalization. In defensive actions to protect social rights, trade unions would then also have the function of using force and pressure to point out to companies what is necessary in the long term. However, such a policy of the offensive defense of "Rhenish capitalism" and the defense of high labor and social policy standards in Europe in connection with working time reduction policies would also mean that the reasonableness of these rules systems themselves would have to be reviewed in light of economic and social changes. This also means giving support to innovation in companies and regions in terms of the above-cited restructuring (see under 4.2.) and in terms of a social and ecological organizational policy, without losing sight in so doing of what is economically necessary. Such a ("supply-oriented") organizational policy can *then* be a sensible way out of the "globalization trap" at the regional level, *if* innovations are socially and ecologically regulated in the European connection to the extent possible. This, not least of all, would require from individual trade unions substantial concessions on ecological demands as well as cross-sector and international social solidarity. Over the long term, however, this policy could preserve the European production sites and labor markets in the ecological necessities ("*sustainable development*") and social transformations they face and - however paradoxical it may sound - thus even act in an economically *sustainable* manner. But with growing integration in the European single market, such a policy of linking resistance and organization presupposes international coordination of national trade union policies.

The fact that trade union internationalism of the late 1960s and the 1970s was often little more than a theoretical exercise and did not go beyond familiar trade union rhetoric was due not only to the familiar labor-market and organizational limits to "international solidarity", but also to a situation in which nation states, under the Bretton Woods currency regime and the conditions of "Keynesian class compromises", could ensure the unions relative political influence and social policy achievements. The pressure of globalization and the threat of an erosion of national industrial relations systems create not only the familiar risks (which in general have been developed above), but also entirely new opportunities for trade unions to bring their organizational structures and areas of operation out of their national limits. This is surely a high-risk venture, but probably one without alternatives if they want to go beyond previous declarations and their inherited "songsheet" and impose limits on capital in internationalized markets and political arenas.

The still-pronounced regional *disparities* in the European single market often hamper a strategically agreed behavior of trade unions. For example, differences in levels of labor productivity between Germany and the Benelux countries on the one hand and the agrarian economies of southern Europe on the other represent obvious barriers to a unified strategy of trade union interest representation. To this are still added considerable differences in organizational structures, the degree of organization, political-ideological orientations[14] and the political cultures of the national trade unions in the EU; the latter is also true of differences between national firms, associations of firms, and labor policy relations. In addition, the role and function of the government are of decisive importance with respect to labor relations in general and agreement on incomes policy in the framework of macroeconomic regulation of the economy in particular (to the extent that this is determined by policy at all). For example, for agreement on incomes policy, for which the government establishes the legal framework (procedural and substantive regulations), Mesch (1995) distinguishes three variants, practised in Europe in differing manners: *firstly*, an interventionist incomes policy with restrictions on wage freedom (for example, in Belgium); *secondly*, a limitation on the possibilities for influencing collective wage agreements through neo-liberal strategies (e.g. Great Britain); and *thirdly*, the orientation towards neo-corporatist management; i.e., coordination of economic and social policy with collective wage agreements (pronounced in the Netherlands and the Scandinavian countries, and partly in Italy).

In almost all Western European countries, government influence over labor relations is, albeit to differing degrees, characterized by the pressure of employers for further *decentralization of wage negotiations* (cf. ETUI 1995), a direct reaction to the possibilities offered to businesses by the globalization process. However, differences here should be noted: "A decentralization of collective bargaining can take place in an uncontrolled (unorganized) or controlled (organized) manner: the former means that decentralization occurs as the consequence of the collapse of the regulatory power of the level above. Controlled decentralization occurs when the wage associations of the levels above delegate certain regulation powers to levels below, yet maintain a certain control over this level" (Mesch 1995, p. 25). With respect to the *changes in the designated negotiation levels* in Western Europe, classification into five groups is possible: (1) countries in which the status quo could essentially be preserved (the Netherlands, Finland, Spain); (2) countries in which uncontrolled decentralization and the dismantling of regional collective wage agreements could be achieved; (3) countries in which controlled decentralization and indirect coordination of sectoral negotiations have developed (Germany, Austria, Denmark, Sweden to some extent); (4) countries featuring recentralization (Norway); and (5) countries in which simultaneous centralization and decentralization can be observed (such ambivalent developments are particularly notable in Italy, France and Belgium). This list alone shows that we certainly cannot speak of a linear trend towards uncontrolled decentralization, but rather that while the globalization process has indeed put pressure on trade union wage negotiations in regions and sectors, very different and flexible answers have been found or are being sought which respond not only to the economic decentralization trend in the globalization process but also to the complex needs of trade union members and enterprises as a result of social modernization processes in the EU member states.

[14] However, it must also be noted that the importance of various political-ideological orientations at the European level has markedly declined. An indication of this is the fact that the ETUC has only developed into a unified European union since the end of the 1980s. Following the accession of the Christian trade union confederations in Belgium and the Netherlands back in the mid-1970s, shortly after the founding of the ETUC in 1973, ever since the accession of the CGTP-IN (Portugal) and CC.OO. (Spain), both of which are left-wing socialist-communist confederations, conflicts involving trade unions with party political or religious affiliations have become largely a thing of the past. The ability to act was not at all weakened by the acceptance of trade unions linked to an ideology. There are differences of opinion only on the possible entry of the CGT (France) into the ETUC.

The challenges facing both national wage systems and the general framework conditions of trade union interest representation against the background of *socioeconomic structural changes* (modernization of society, pluralization and individualization) in Western Europe largely coincide (cf. Mückenberger *et al.* 1995). Despite similar problems, only the beginning of a convergence, i.e. a unification of national labor relations, can be observed. Respective national labor relations differ strongly from each other and identical or similar problems are dealt with very differently (Mesch 1995, Streeck 1996). This divergence in labor relations has considerable consequences for a future-oriented Europeanization of industrial relations. In particular, under the conditions of a currency union, trade union wage policy runs the risk of coming under additional pressure. This is true not only for the public sector, which is already facing the pressure of restrictive budget policies today. Against the backdrop of different production levels, the achievement *of economic and monetary union (EMU)* will subject national labor markets in almost all sectors to substantial competitive pressure through the elimination of exchange rate adjustments: "If exchange rates no longer equalize the economic levels of different countries like a system of canal locks, then wage and other labor costs take on this lock function, and the trade unions will take over the role of the lock-keeper" (Altvater/Mahnkopf 1993, p. 246). Claus Noé argues similarly, noting that without an institutionally safeguarded wage and incomes policy there will arise a "common Europe of money and capital", but not one of labor and employment (Noé 1996, p. 42). The hopes connected with EMU by parts of the employer camp and in conservative circles have been very clearly expressed by a member of the German central bank committee: "The power of national wage cartels will be further eroded" (*op. cit.* p. 44).

European trade unions are not far away from a convergent and coordinated wage strategy[15] and a coordination of national negotiations, which would be a necessary and appropriate answer to the processes of Europeanization and globalization. Although the European Trade Union Confederation (ETUC) was already advocating closer cooperation in this field three years ago in a discussion paper on the prospects for European wage negotiations (ETUC 1993), national trade unions are only now beginning to understand that there is no alternative to Europeanization. The urgency of the problem of a *stronger coordination of wage policy* at the European level is clear from the interventionist wage policy of the Belgian government. Following the failure of a national employment pact, it dictated by regulation that the development of wages and salaries had to be based on average wage increases in the neighboring countries of Germany, the Netherlands, France and Luxembourg. This meant nothing more than a government-ordered coordination and Europeanization of wage policy. The need to act is obviously enormous already before the entry into force of the third stage of EMU. In particular, the sectoral level must be given decisive importance; despite all differences, it represents the central negotiation level in the EU member states. European trade union associations have indeed intensified their exchange of experience on trends in wage policies through conferences and wage policy committees, but the outlines of a coordinated wage policy are not yet evident. For example, mutual participation in national wage commissions or mandatory coordination of collective wage agreement demands are not yet established practice by European trade unions.

The recent discussions in the European Metalworkers' Federation in particular offer prospects in this connection. Future coordination of wage policy in the metalworking industry is to be organized on a mandatory basis in a *three-stage* procedure. This includes: (1) the participation of member

[15] A practical proposal for coordinating wage negotiations in the EU, in which cross-sector (“multi-”) levels, the sectoral negotiations level and the level of Euro-companies (with European works councils) are connected and already available practical experience is used, is developed by Marginson/Sisson 1996.

associations of other EU member states in the sessions of wage commissions; (2) joint discussion and preparation of minimum standards of wage policy; and (3) an "accountability obligation" when jointly agreed wage rules are not implemented. For example, joint wage policy goals could be agreed in the areas of ensuring real incomes and working time policy. Such a strategy does not amount to the centralization of wage policy at the European level, to which there is no correspondence in most European countries; in addition, no legally regulated European wage autonomy is required for such an approach, even if it is justifiably demanded by trade unions. The essential aim here is to productively link the variety of regional and international economic and social structures and traditions in terms of framework wage regulation, rather than unifying them according to the old pattern of making demands. The goal towards which European wage policy should aspire is not "*unification*" ("in the sense of a 'hierarchy option'), but coordination and *regulation of "diversity"* (cf. on the "network option": Ebbinghaus/Visser 1994, p. 231). At the European level, such an approach would first of all be capable of providing wage policy regulation of the "dirigiste system(s) of industrial relations" (Streeck 1996, p. 15) created by the globalization process, on which a mandatory rules system could then be progressively built. However, such a system requires not only action- and conflict-capable trade unions, but also wage-capable employers' associations. Thus, success for the trade unions at the European level is essentially dependent on whether the trade unions again succeed, as at the start of industrialization at the local and national level, in operating as midwives of European employers' associations (especially at the sectoral level).

In the future, European works councils might play a pioneering role in the Europeanization of industrial relations. After a corresponding proposal for a directive was blocked for over 20 years in the Council of Ministers, the adoption of the directive on the establishment of European works councils can certainly be considered a success for European trade unions. Before the adoption of the directive in September 1994, there were only 40 European works councils (EWCs) based on voluntary agreements. The need for a legal framework can be seen clearly in the substantial dynamic movement unleashed by the directive. The directive was used as the basis for over 400 agreements concluded from September 1994 to September 1996. In all, some 1,300 European companies fall under the scope of the EU directive. The new legislation may be seen as an indication that the European Union is perfectly capable of adopting mandatory rules on the creation of a European industrial relations area[16].

The processes of Europeanization (at the political level and in the European single market), internationalization of production and the "globalization" of financial markets are, for the first time, directly confronting all EU trade unions with the need to develop international organizational structures and international solidarity as well as with the demand for policies governing international regulation (for example, the money markets). So, in one way or another, internationalism is becoming a very concrete issue, going beyond mere Labor Day speeches. Or put in sociological terms: "In the debate on globalization the world's understanding of itself is becoming realistic. It conveys the view that there is no genuine externalization of the consequences of actions, and that after the conquest of the global

[16] Streeck (1996) arrives at a substantially more sceptical assessment. He agrees that the directive does not at all have the quality of national codetermination laws. It must also be stressed, however, that as early as the 1970s and 1980s European standards could be adopted that had considerable effects on national labour relations. Among others, this includes the directives on equal pay (1975) and equal treatment (1976) and the directives on mas redundancies and the transfer of undertakings (1981). In the area of labour and health protection as well, considerable progress was achieved on the basis of the Single European Act, which deviated from the principle of consensus for this area, which in part clearly went beyond the national level of protection.

space significant progress is only possible through intensification of qualitative innovation and equal opportunity" (Wiesenthal 1996, p. 52). In view of the juncture of social modernization and economic globalization processes, this involves developing new forms of intra-company, inter-company, sociopolitical and international regulation to defend against socially and ecologically disastrous externalization processes and to protect and develop a socially rational skills and production structure in Europe. Such a policy necessarily stands opposed to the short-term efficiency imperatives of parts of capital and the business culture predominating there. And trade unions must become aware that they themselves can be participants in such externalization processes, in labor markets and in environmental issues. A reflexive "innovation" in this sense could then be very capable of contributing to leading trade unions out of the "globalization trap". The question is not how to strengthen the "European production site" at the expense of international social justice and the ecology, but how innovation is to be socially and ecologically regulated so as to nationally and internationally achieve social justice and environmental sustainability over the long term.

For trade unions at the sectoral, regional and international levels this must involve, more than ever, binding together, by means of compromise, the contradictory interests which will inevitably emerge in this process and which are bound to be exacerbated by the various positive and negative effects of globalization processes ("unity" lies at the end of this difficult process but is certainly no self-evident precondition based on a "fundamental contradiction"). Coordinating networks will therefore have to be organized not only "from above", at the ETUC level; they will also have to be developed regionally and internationally as networks "from below". The trade union policy task would then be the organizational safeguarding of these networks and the provision of financial and communications assistance. This option would not entail a strengthening of individual unions through mergers, nor the transfer of hierarchical trade union organization models to the EU level; rather, the simultaneous presence of modernisation, Europeanisation and increasing ecological concern calls for a strengthening of the powers of the trade union movement, beyond the sectoral context, at company, regional and international level, though the sectoral context - together with the corresponding sub-sectors of the labor market and their sanction potential represented by the possibility of strike action - must remain the unions' "firm foothold".

In the EU, beyond the limits of national and European labor markets, trade union policy must increasingly take on the task of halting the social collapse of this society, the threat of the loss of *social cohesion* through globalization, regional competition policy and the computerization of work. Trade unions must also re-anchor in society a concept of *solidarity* - which is based on individualism and which moves beyond a quasi-forced collectivism - as a self-selected goal and a general standard. For the future of trade union success stands or falls on the continuation of standards of solidarity in European society. Yet for a new trade union policy, seizing the opportunities of social processes of change would also mean that they not only avert risks and speak to people in their *misery*, but that they also notice and support their members in their *strengths*, that they develop and promote their individual and collective opportunities for social emancipation. To support only the resistance to government and business policies currently erupting in the EU's core countries would mean that they themselves would fall for the policy of the short term to which businesses are now so devoted throughout Europe. For, however necessary these battles may be to defend individuals' living standards and realize well understood long-term interests in a productive and innovative "European production site", it is also true that Europe of the EU will maintain itself not only through change (which must include social and ecological change). In addition, in the long term a solidarity-based policy orientation of trade unions going beyond partial labor markets can only be achieved by linking the interests of the economically weaker and economically stronger countries, of the winners and losers in globalization, and by linking wage interests with the defense of opportunities for life outside the company and the economy; in other words, with environmental interests. And this effort towards social solidarity and ecological reconstruction will be possible only - however paradoxical this may sound in view of ecological development - if "Europe the production site" at its core remains *economically* productive.

But as Ulrich Beck (1996) has rightly noted, such a policy aimed at averting the risks posed by globalization includes also - and above all - the *right of freedom of defence*, enshrined both nationally and internationally, against the pressure exerted in Europe by the process of globalization and bureaucratic-technocratic complexes. Such a right is a prerequisite for the development of democratic public opinions and the power of trade unions to resist the apparent and actual material constraints of the global and money markets.

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