Chapter 8

Actors, Institutions and Pathways:

The Liberalization of Industrial Relations in Western Europe

Arguments trying to assess whether national industrial relations systems are stable or fundamentally changing, and if so if they are converging towards one another, run the risk of falling into what logicians refer to as a "sorites paradox." The "sorites paradox" was first attributed to an ancient Greek philosopher, Eubulides from Miletus. It was stated in various equivalent forms, one of which had to do with a man losing his hair: "Would you say that a man with an arbitrarily high number of hairs on his head is hirsute?" "Would you also say that if a hirsute man loses one hair he is still hirsute?" It would be natural to admit the truth of both propositions, but then one would also have to admit, by repeated application of the second premise, that a man who has lost a very large number of hairs is still hirsute. The deduction is perfectly legitimate by the standards of classical logic, as it only involves modus ponens ("if p then q", but "p", then "q") and the chaining together of individually true propositions, yet it stands in sharp contrast with common sense.

The paradox applies to all propositions involving slow accumulation or depletion of a particular quality, including propositions such as "an industrial relations system in which a number of companies defect is still fundamentally stable". It is widely acknowledged that the origin of the paradox lies in the vagueness of natural language, which does not permit the precise identification of the boundaries within which a predicate applies. Artificial languages eliminate this kind of paradoxes by introducing

predicates with sharp cut-off points at which the propositions' truth-values shift from true to false, such as when a diabetic patient is defined in medical language as somebody with a blood sugar of more than 7 mmol/l. Such cut-off points may, however, be somewhat arbitrary and everyone may not be willing to agree on them. In the absence of sharp cut-off points, trying to determine the truth status of soritical propositions such as the ones reported above is inherently flawed: when looking at what philosophers of language call the penumbra, i.e. a state where it is not patently clear which predicate should apply, one observer may consider that the balding man has not fundamentally changed his hirsute status and another that it has. In this case the only non-arbitrary thing to do is to try and assess the direction of the process without seeking to decide the truth value of the soritical proposition. The question becomes: is the man in question losing or gaining hair?

The quantitative data presented in Chapter 2 lend themselves rather nicely to the definition of a sharp cut-off point for convergence. We would say that industrial relations systems are converging if the standard deviations of the two factors identified above, macrocorporatism and industrial conflict, are significantly smaller at t2 relative to t1, i.e. if the distribution becomes less disperse over time. Table 2 reports the relevant t-tests. Between 1974-1989 and 1990-2005 industrial relations systems not only reduced their levels of conflict on average, but also their dispersion around the mean as testified by the significant reduction in the standard deviation. In this regard, developments in Italy, Ireland, and the UK, three countries which score high on the industrial conflict factor at t1, are particularly impressive, as by t2 these countries were in line with the average of other countries. No such converging trends are apparent with regard to

macrocorporatism, however. Here the mean declined, albeit insignificantly, but the standard deviation increased significantly over time, suggesting growing divergence in institutional form. Thus, quantitative indicators suggest that there has been convergence over time on a model of union quiescence, but that advanced countries have continued to differ greatly, and even increasingly, with regard to their degree of macrocorporatist institutionalization (Table 2).

Table 2 about here

If the quantitative evidence suggests persistent, and even growing, institutional divergence, why do we insist on using the language of converge then? The answer is that the currently available quantitative indicators are at best apt to capture liberalization qua institutional deregulation but have little to say about liberalization as institutional conversion. The five countries reviewed certainly reveal an impressive diversity of institutional forms and paths of institutional evolution, but there seems to be a common directionality behind the national peculiarities. The remaining sections of this chapter analyze the evidence concerning mechanisms of institutional change, and the role of labor, business and the state exhibited across our five country cases.

8.1 Pathways of Institutional Change

In chapter 1 we pointed to a range of different mechanisms of institutional change, borrowing freely from other scholars (Streeck and Thelen 2005, Campbell 2004) while also emphasizing the distinction between two broad pathways by which institutions change. The first, and the broader of the two, we described as deregulation, though it includes formal deregulation through changes to labor law, as well as the decentralization

and individualization of bargaining, and the decollectivization of those organizations representing labor and capital. Deregulation in this sense involves the removal, disappearance or erosion of institutions that had once served to constrain employer discretion and the construction of new institutions serving to enhance that discretion. Institutional change of this kind should be readily visible to the researcher and is subject to capture by quantitative analysis. A special case of deregulation, and less easily discerned, is derogation, whereby the institutions – primarily regulation embedded in labor law – remain in place but industrial actors are permitted to ignore or bypass them under certain conditions. The second broad pathway to institutional change is conversion, that is the transformation of institutional function despite formally unchanged institutional structure.

As the previous five chapters have demonstrated, our country cases show a common neoliberal trajectory of institutional change, and in each case, substantial liberalization of industrial relations institutions with the effect of expanding employer discretion across the three domains of wage setting, work organization and hiring and firing. But each country moved towards liberalization in a somewhat different manner, even if there are also common elements (the decline in union density, for example). To some extent these differences reflect the different obstacles to employer discretion faced in each country; whether it came primarily from legislation and state regulation, or from collective regulation on the part of unions and employer organizations, and if the latter, whether the strength of collective regulation derived more from national organization or embedded power at the workplace. And faced with different sources of rigidity and constraint upon employers, the partisan hue of the government, the fear of social and

industrial conflict, and above all the power resources still wielded by class actors, all influenced the willingness of those wanting institutional change to launch a frontal assault on industrial relations systems as opposed to finding alternative mechanisms of change.

One can identify three broad approaches to institutional change adopted by the countries we examined in detail. The first involves deregulation through changes to legislation that had once supported collective regulation and limited employer discretion. One thinks of Britain during the Thatcherite period, when deregulation came without any compensating benefits for workers or unions. During the New Labor period, the collapse of collective regulation was partially offset by the provision of limited legal protections to workers. In other cases, Italy for example, peak-level bargaining was used as a mechanism for gaining acquiescence for deregulation, while in France it was the expansion of workplace bargaining that was used to legitimize deregulation. This approach involved not only deregulation of the labor market, but also the removal of legislative support for unions, collective bargaining, and the ability of workers to engage in collective action, such as weakening the Ghent system in Sweden, and reducing subsidies and workplace resources available to unions in Britain and France.

A second approach, which was used quite widely in our cases, was the use of derogation to permit a liberalization of industrial relations without having to formally end or replace existing institutions. It was often more palatable than a frontal attack on institutions and could be justified as an emergency measure, or as institutional change under carefully controlled conditions. The advent of opening clauses in Germany, the linking of flexibility, achieved via exemption from labor law, to workplace social

dialogue on France, and the ability of sectoral and eventually firm level agreements in Sweden to derogate from legal limits on atypical employment, are all examples of expanding employer discretion without the need to formally reconstruct industrial relations institutions. And they are also all examples of practices that originally appeared for quite limited conditions or time periods but rapidly became permanent features of the industrial relations landscape.

The third approach, one that was prominent in several of our cases, is institutional conversion whereby formal institutional continuity masks a change in the function of institutions so that they become more discretion-enhancing for employers. A good example would be the role played by works councils in both Germany and France. Once subordinate institutions, supportive of the dominant role of trade unions in collective regulation, under conditions of weakened unions and changes to labor law, they increasingly served to detach firms from the wider industrial relations system, and tie worker interests more closely to those of their employers, encouraging de facto enterprise unionism. Similarly, peak level concertation, once a mechanism for solidarism and achieving worker gains, came to encourage a decentralization of bargaining in Sweden, and to legitimize austerity and deregulation, and overcome entrenched worker power at the firm level, in Italy. In both cases, peak level bargaining became discretion-enhancing for employers, a mechanism for overcoming obstacles to liberalization.

A different array of mechanisms of institutional change was on display in each of our country cases. In France, the main obstacle to liberalization was the state in the form of legal regulation of the labor market and legal support for collective bargaining; despite spasms of labor protest, labor strength remained poorly institutionalized. The key

problem was to ensure that workplace restructuring retained a shade of legitimacy in the eyes of the rank-and-file whose active collaboration was rendered necessary by the new forms of work organization. The mechanism of institutional change used was to encourage a decentralization of bargaining to the firm both by offering greater flexibility in return for negotiated change and by the creation of legal obligations inside the firm. Given the endemic weakness of French trade unions at the workplace level, the state stepped in to create ex nihilo new collective actors who would negotiate and legitimize workplace change. At the same time, the state extended the possibility of derogation from legal and contractual rules and in so doing increased the heterogeneity of the various workplace-based regulatory systems. As time went on the micro-corporatist elements of the industrial relations system – works councils, employee referenda – became more important as unions continued to weaken. The French state employed both derogation at the firm level, and concertation at the national level as mechanisms for achieving a liberalization of industrial relations. More so than our other cases, institutional change in France involved the construction of a largely new set of industrial relations institutions located inside the firm.

In Britain, in contrast, the primary obstacle to liberalization was not the state but rather the system of collective regulation put in place in the period since the 1890s and increasingly decentralized to the firm level from the late 1950s onwards. Labor law played a relatively light role in directly regulating the labor market. The mechanism for liberalizing industrial relations was an active dismantling of the institutions of collective regulation and the means of their enforcement. This involved above all decollectivisation – weakening trade unions themselves – and an individualization of relations between

employers and employees. The industrial relations system was deregulated and liberalized by conservative governments in the 1980s through a combination of labor law reforms, restrictive macroeconomic policy, restructuring, and privatization of public services. Britain is the clearest example among our cases of where the institutions of industrial relations themselves were wholly reconstructed, involving the destruction in quite short order of an existing system of collective regulation and its replacement by a largely individualized system of industrial relations. The Labour governments that followed did not fundamentally alter the legislative and policy framework of the previous regime, but simply adjusted it at the margin it by strengthening the workers' individual rights in the workplace through legislation, a process that was aided by the European Union which became an important sources of individual rights at work. No attempt was made to also strengthen collective rights, with the exception of the introduction of statutory provisions for union recognition. Even this right to organize was, however, interpreted in liberal terms as a compromise between positive and negative freedom (the latter implying the freedom not to join trade union), and was subordinated to obtaining a majority in workplace elections (similar to the US case).

In Germany, the obstacle to a liberalization of industrial relations was partly legislative, in the form of employment protections, but primarily the system of collective regulation, with the sectoral agreement at its core. It was a system that provided functional flexibility, but numerical and pay rigidity. The mechanism for institutional change was not a frontal assault, or even the construction of new institutions – the characteristics of the French and British experiences – so much as erosion, deregulation, conversion, and the creation of escape hatches for firms to opt out of sectoral bargaining;

non-juridical derogation, as it were. All indicators point to a severe erosion of the system of collective regulation. Collective bargaining coverage and membership in trade unions have declined. Employer associations, traditionally the bulwark of the German model, although also declining, have been able to fare marginally better than unions because they have allowed firms to retain their membership without having to abide by the wage rates negotiated at the industry level. In addition a number of practices, both legal and illegal, have further decentralized collective bargaining to the firm-level and allowed firms to opt-out of collective bargaining provisions. The functioning of works councils has undergone conversion, undermining rather than supporting the system of sectoral bargaining. Even the German state played a role through unilateral labor market deregulation in the Hartz reforms of the mid-2000s. The German experience is not primarily one of deindustrialization, drift and dualism, as traditional industrial relations arrangements survive in the manufacturing core but disappear or never appear in the first place in the service sector. Rather, the system of sectoral bargaining has become increasingly threadbare, full of holes and empty of content in the manufacturing core, while even its form is absent in the remainder of the economy.

Even in the two countries, Italy and Sweden, which might at first sight seem to buck the liberalization trend having experienced a recentralization of collective bargaining, the new centralized institutions have different features and, more importantly, very different functions from the past. Governments and employers in Italy were faced with labor market rigidity put in place after the Hot Autumn and maintained in part by working class strength at the workplace level. Few firms, Fiat being the rare exception, were willing to challenge these forms of rigidity by taking on local unions. As a result the

route to liberalization was top-down, using national peak-level bargaining to bring about system-wide institutional change in a manner that neutralized local labor strength. In the 1980s, this focused upon reducing wage rigidity. In the 1990s, the type of centralized bargaining that emerged was an emergency corporatism intended to help governments drive through a host of largely market-conforming and strongly unpopular macroeconomic, social policy, and labor market reforms. It should have been accompanied by the further extension of a dual system of collective bargaining at the company and industry level, but the plant-level extension of bargaining never materialized because trade unions were too weak to pull it off. Thus, paradoxically, centralized bargaining was the mechanism by which a liberalization of industrial relations took place in Italy; concertation was repurposed from its original function, as an instrument of worker and trade union gains, in the 1970s. However, by the 2000s, and especially after the economic crisis hit in 2008, attention turned to deregulating the use of atypical work, decentralizing bargaining and expanding the use of derogation; under the impact of economic crisis even concessionary corporatism was abandoned to be replaced by decentralization.

By the middle of the 1980s, the obstacles to a liberalization of industrial relations in Sweden lay both in restrictive labor market regulation and a form of collective regulation that put severe limits upon employer discretion in wage determination and work organization. That system of collective regulation rested upon a trade union movement that was strong at both the national and local levels, and labor law that imposed few limits upon the right to strike. In Sweden, institutional change took place through a recentralization of the collective bargaining system in the late 1990s, the

construction of new institutions for mediating industrial conflicts, and some limited legislative deregulation of the labor market. The renaissance of coordinated multi-industry bargaining, however, did not have the intent or the result of the solidaristic wage bargaining of an earlier era. Rather, the new coordinated bargaining featured a minimalist role for the center -- setting a wage ceiling and imposing a peace obligation upon local bargaining – while permitting a much greater role for decentralized and even individualized bargaining than was ever the case in the heydays of the "Swedish model". This was the very opposite of solidarism as wages became more and more determined by local conditions.

We would argue that the basic thrust of developments in the industrial relations systems of advanced capitalism, involving the generalized weakening of unions or even the substitution of unions with other collective actors, the erosion of bargaining coverage and the transfer of ever more regulatory matters to the firm level, and the increase in the heterogeneity of negotiated provisions to match a similar heterogeneity in market conditions, all with the effect of expanding employer discretion, is unequivocally neoliberal in character despite differences in institutional form. In three of our cases, the British, French and German, industrial relations liberalized primarily through processes of formal or de facto institutional deregulation (with derogation producing de facto deregulation). In our other two cases, Italy and Sweden, industrial relations liberalized more through a process of institutional conversion than institutional deregulation; centralized or coordinated bargaining institutions were re-engineered to enable neoliberal policy orientations, and greater firm level.

8.2 Employers and Trade Unions

The period since the end of the 1970s saw a marked shift in the balance of class power and influence between the primary class actors across Western Europe as weakened and divided trade unions faced resurgent and radicalized employers. Collective organization has always been more important for labor than capital as workers require collective action and collective organization not only to sanction employers and also to define a labor interest in the first place (Offe 1985, Chapter 7); for employers on the other hand, collective organization has secondary benefits but interests are fed back to employers through the market and the simple act of not hiring or not investing is sufficient to sanction workers. Employers, after all, can encourage a decentralization of bargaining by simply dissolving their peak-level or sectoral organizations and leaving an empty seat at the bargaining table. As a result, a general process of decollectivization, as has occurred across our country cases, is more damaging for the exercise of power on the part of workers than it is for employers.

That said, there has also been a general tendency towards greater politicization and a greater willingness to challenge industrial relations institutions inherited from the past on the part of employer organizations. Streeck has recently reminded us (2014, 18) that while social scientists were quick to recognize labor as a political and strategic actor, as well as an economic one, and studies abounded of union strategy, "political exchange" and party-union ties from the 1970s on, that same recognition for employers has been slower, not least because – as noted above – collective organization is less crucial for the exercise of business power. The period under review in this book has seen, in almost every case, the emergence of a more self-confident, more political employer class willing

to seek substantial change to national industrial relations systems, and always in a more liberalizing direction. In two of our cases, France and Sweden, this shift was symbolized by a renaming and rebranding of the main business organization, away from a primary function as employer representative and collective bargaining agent, and towards an organization emphasizing the entrepreneurial function of business and a role of lobbying the state. But even where a formal organization change did not take place, employer organizations adopted a more overt neoliberal discourse, proved much more willing to revisit and challenge longstanding elements of the industrial relations landscape, and where unable to negotiate the changes that they wanted with trade unions, sought state support for liberalization.

As noted in chapter 1, this is not what the Varieties of Capitalism approach anticipates; its expectation is that rational employers will defend those institutions that offer comparative institutional advantage leading to different behavior on the part of employers in LMEs and CMEs and at best incremental institutional change rather than a wholesale assault upon industrial relations institutions. As we argued earlier in the book, there are reasons for skepticism about that expectation, both because changes to growth models have changed employer interests (in particular, reducing their attachment to and investment in institutions of collective regulation), and because it misconstrues the general interests and behavior of employers (Kinderman 2014). “Contra varieties of capitalism” argues Emmenegger (2015, 90) “job security regulations fundamentally shape the balance of power between capital and labor” and his detailed historical survey of such regulations in Western Europe shows clearly that their restrictiveness is primarily determined by the power resources available to employers and unions (Emmenegger

2014). From the same power resources standpoint, we anticipate that employers will generally seek a liberalization of industrial relations institutions, operationalized as an expansion of their discretion at the firm level, unless constrained from doing so be the power of trade unions or the state. Thus the relative balance of power between labor and capital is likely to be determinative in the pace, scale and scope of liberalization.

The evidence from our country case studies is consistent with the argument that the first order preference of employers is usually a liberalization of industrial relations institutions: deregulation, decentralization, individualization, and the conversion of existing institutions to function in a manner that expands employer discretion. This was the "dormant wish" of employers (Ibsen et al. 2011, 336), and once the political opportunity structure and the ability of labor organizations to resist changed, that wish rose to the surface. Contrast Britain and the Sweden in this regard. In Britain, the main employers organization was initially hesitant to risk conflict with the trade unions, and worried publically about the more radical Thatcherite initiatives in the realm of industrial relations. But once the government made clear its willingness to intervene repeatedly to protect the ability of employers to reshape industrial relations, and unions proved too hesitant and enfeebled to resist, both the CBI and employers rapidly took advantage of the situation to marginalize collective regulation. In Sweden, the employer preference for decentralization to the firm level and a deregulation of the labor market periodically bubbled up, but in the absence of a government – even a bourgeois coalition – willing to limit the right to strike, and faced with a still powerful labor movement, business settled for relatively incremental deregulation and the Industrial Agreement system of sectoral

agreements to set a wage ceiling coupled with extensive decentralization of actual wage determination.

A central part of the changing landscape of industrial relations over the last three decades is, of course, the weakening of labor movements. The quantitative data presented in chapter 2 illustrated the near-universal decline in trade union density in Western Europe, albeit at different paces and with different starting points; Pontusson (2013, 800) has identified at least three waves of union decline, each associated with a different group of countries. Decline has extended beyond membership figures to challenge each of the main power resources of labor: its organizational power; its political power; and its economic power. Labor movements suffered disorganization, disillusionment and division. The description of unions in Sweden – which remain, after all, among the strongest in Europe – as "traumatized" is a fair descriptor of the more general condition.

The literature on union decline is extensive and a number of comparative volumes, appearing at regular intervals, have charted both its scale and the efforts of national trade unions to respond effectively (for a sampling see Ferner and Hyman 1992, Martin and Ross 1999, Frege and Kelly 2004, Gumbrell-McCormick and Hyman 2013). With each successive volume, the space for effective strategic response appears to have narrowed and the areas of concrete gain shrink. Our country cases indicate national trade union movements that are invariably on the back foot, struggling to defend existing industrial relations institutions and usually failing. Organizationally weaker, even those labor movements with traditionally voluntarist outlooks, such as those in Britain and Sweden, they have found themselves forced to turn to the state for protection, but social democratic and center-left governments have been less and less willing to defend

collective regulation. In Germany, Italy and France even center-left coalitions have proved willing to deregulate the labor market and encourage derogation and decentralized bargaining.

Labor movements have also been weakened in their ability to respond to more aggressive employer and state efforts to liberalize industrial relations institutions by division. In part this reflects the greater heterogeneity of unionized labor forces – as with the growing influence of white collar union confederations in Sweden, thus diminishing to voice and coordinating role of LO – in part the different interests of workers in exposed and sheltered sectors – as with divisions among German and British unions – and in part the legacy of ideologically-divided labor movements which prevented both Italian and French unions from acting collectively and allowed employers and states to divide and conquer. Whatever the reason, national trade unions have faced the profound challenges over the last three decades to the industrial relations systems that they helped build from a position of weakness and division.

In France, the radicalization and politicization of French employers was driven in part by the perceived threats of the lois Auroux and lois Aubry; as the CNPF transformed itself into the MEDEF, it adopted an increasingly neoliberal discourse. Dating from the start of the 2000s, its "refondation sociale" was a statement of, and a policy agenda for, the insulation of industrial relations from the traditionally *dirigiste* state, which was to get out of the way and permit employers to reach derogatory agreements with unions that were all but bereft of members in the private sector. The growing recourse to signing firm-level agreements – sanctioned by the state – with non-union labor representatives only added to their one-sidedness. But even in national bargaining, where unions were

present, division ensured that governments and the MEDEF were usually able to obtain enough union confederation signatures to endorse an agreement. The “hyper-reformism” of France’s second-largest union, when allied with the more traditional reformism of the two smaller nationally representative union confederations, permitted a range of national agreements on industrial relations, labor market and social welfare reform that were subsequently turned into legislation.

Surveys of employers in Britain in the 1970s indicated a fair degree of satisfaction with decentralized, firm-level joint regulation, and a fear of provoking conflict with workers. The Donovan diagnosis, after all, had looking to strengthened unions and formal bargaining institutions inside the firm as a mechanism limiting wildcat strikes and regaining control of the workplace. But as the 1980s went on and package after package of Conservative industrial relations reform was implemented and bedded down, employers gradually gained the confidence to reshape their relations with their employees. Evidence from the regular workplace industrial relations surveys suggests that the predominant employer preference is for employer-controlled direct communication with employees unconstrained by legal or collective regulation. From the 1990s onwards, the CBI also underwent a radicalization similar to its French counterpart, calling for further limits on strikes, on the reach of EU directives and emphasizing individualization of industrial relations as the preferred trajectory of change.

Meanwhile, Britain’s trade unions discovered that their strength had been far more dependent upon nearly a century of public policy support for collective regulation than the dominance of a voluntarist ideology implied. Faced with a determined state, and unable to act collectively because of the weak confederal structure of the labor

movement, the decentralized nature of national unions, and divisions over tactics and strategy (most evident in the response to the 1984-85 Miners' strike), trade unions proved unable to resist the onslaught against them.

Germany has in many ways been Exhibit A in the case for the Varieties of Capitalism approach to political economy, exemplifying the coordinated market form of economy. The evidence presented in chapter 5 suggested a far greater degree of liberalization of industrial relations – in the manufacturing core as well as the service sector – than anticipated by VoC theory. The German experience also casts doubt on the expectation that employers will defend existing political economic institutions. While employers did not lead the shift in the 1980s towards greater emphasis upon bargaining over qualitative issues, it welcomed it because the shift effectively decentralized elements of bargaining to firm level. By the middle of the 1990s employers associations, in part responding to developments in the eastern part of the newly-unified country, moved to give individual firms greater flexibility from sectoral agreements. Most importantly, the German metalworking employers association – representing those very firms that VoC theorists anticipated would defend those institutions that seemed to undergird the comparative institutional advantage generated by Diversified Quality Production -- launched an ambitious political and public relations campaign to deregulate the labor market through the New Social Market Initiative (Kinderman 2014), an effort that bore fruit in the Hartz reforms.

There is some parallel to the German experience in Italy where *Confindustria* also proved willing to abandon a bargaining route to industrial relations reform in the 2000s when it appeared possible that a friendly government might unilaterally deregulate the

labor market. But for most of the period under review, the employer goal was to overcome entrenched labor power in the workplace, and the mechanism for doing that was peak-level bargaining. The first order preference of Italian employers for decentralized firm-level bargaining periodically appeared, but overcoming wage rigidity, multiple bargaining levels and expensive non-wage labor costs was best achieved in a top-down manner. The key to the success of liberalization via concertation, however, was division among the trade union confederations. After the *Federazione Unitaria* collapsed in 1984, periods of inter-confederal unity were few and far between such that employers and governments were usually able to win the support of two of the three confederations to enable liberalization to move forward.

Sweden is the clearest case of employers defecting from the postwar model of industrial relations and then constructing a new model. Beginning with large engineering firms seeking separate sectoral agreements in the early 1980s, through the withdrawal of SAF from corporatist institutions in 1990, to its more politicized and radical role as the rebranded SN, employers led and unions followed. However, as in Italy, while employers periodically demanded a full decentralization of bargaining to the firm level, that preference was constrained by the capacity of the trade union movement to engage in industrial action. The result was the Industrial Agreement bargaining regime which provided a high degree of de facto decentralization, but within a framework that created a wage ceiling and a peace obligation. Divisions within and among unions were also important in Sweden, permitting unions in manufacturing to break from LO efforts at coordinating a common response to employers, and LO, TCO and SACO to develop very different wage strategies, with the latter two pioneering decentralized and individualized

wage determination. By the end of our period, the coordinating role of union confederations had been largely replaced with that of employers and loose inter-confederal organizations of unions.

8.3 The Role of the State

Our cases provide ample evidence that the liberalization of industrial relations institutions has not emerged out of spontaneous market processes, or even as the result of bargaining among class actors alone. Certainly, as the pervious section elaborated, a newfound employer radicalism and the declining organizational strength of trade unions created a context in which liberalization was possible. However, it is striking the extent to which states have acted as the midwives of this process of institutional change. This might seem paradoxical in a neoliberal era. And yet in practice, while neoliberalism ultimately advocates the retreat of the state and the exclusive use of the market to regulate social relations, it requires active state intervention to bring the required changes about (Levy 2006).

There was certainly national variation in the degree and form of state intervention and legal regulation in employment relations across Western Europe in the first thirty years postwar ((Lange et al. 1982, Gourevitch et al. 1984). Under conditions of prosperity, full employment, and working class mobilization, most states came to provide basic legal rights that protected collective action and the fundamental ability of unions to engage in collective bargaining, but otherwise encouraged collective self-regulation on the part of unions and employers as a public policy good; in that sense states for the most part withdrew from active regulation of class relations. However, in a minority of cases

relatively weak, poorly institutionalized labor movements invited a more interventionist role on the part of the state. Furthermore, an important exception to collective self-regulation was recourse to incomes policies of various kinds, particularly in the late 1960s and 1970s, when stagflation led governments of all political stripes to seek either voluntary or statutory wage regulation (Flanagan, Soskice, and Ulman 1983).

For all the national variation during the first three postwar decades, it is clear that in the subsequent three decades state intervention and legal regulation have once again, become central features of employment relations (Rubery 2011). All of our cases, though to differing degrees, saw a more active role on the part of the state in the regulation of class relations in the period from the early 1980s onwards, compared to the earlier period. Neoliberalism does not imply the retreat of the state and its replacement by pure market regulation, at least in the sphere of class relations. Polanyi (1944) long ago argued that creating market society requires an active state role to overcome resistance to the creation of "fictitious commodities". In a similar vein, Gamble (1988) suggested, in his classic study of Thatcherism, that there is an affinity between "the free economy and the strong state" for modern New Right political parties. For Gamble and for Polanyi, since it is natural for society to protect itself from commodification, so the neoliberal project requires a strong state, in Gamble's phrase, "to unwind the coils of social democracy and welfarism which have fastened around the free economy" (ibid: 32). The German tradition of ordoliberalism also anticipates a strong and continued role of the state in regulating market economies, though less because of resistance to commodification than the need to prevent powerful economic interests from undermining competition and economic freedom (Bonefeld 2012).

The neoliberal transformation of advanced capitalist political economies since the mid-1980s – always acknowledging the different timing, pace and scale of that transformation – has encouraged states to become more interventionist in employment relations as they have sought to accelerate the restructuring of the labor market in the interests of a post-Fordist flexibility. While states have become more interventionist in the sphere of industrial relations everywhere, the manner of intervention has varied, and what is striking about the forms of intervention in the last three decades is that cross-national differences are more important than differences among political parties within countries. That is to say, the ways in which states have become more interventionist tend to reflect responses to national institutional legacies and obstacles to liberalization more than ideological proclivities. There are partisan differences, to be sure. The Thatcherite and Blairite approaches to industrial relations differed in their attention to individual employment protection, just as French Socialist governments sought greater legal protection for workers than their Gaullist opponents. Center-right coalitions in Italy were somewhat more likely to engage in unilateral deregulation of the labor market than center-left coalitions, which sought the same goal but preferred to achieve it through concertation.

However, stepping back from differences in approach, it is remarkable that similar national industrial relations projects have been shared across ideological divides and pursued quite consistently over time. Socialist and Gaullist governments in France both encouraged decentralized bargaining inside the firm as a mechanism for deregulating the labor market; Social Democratic and Bourgeois Coalition governments in Sweden both followed a strategy of using government mediation and an external wage

norm in order to encourage new, more flexible bargaining practices; peak level concertation as a mechanism for liberalizing industrial relations institutions, deregulating the labor market and legitimizing austerity were shared projects of all governing parties in Ireland and Italy; in the recent past, coalition governments in Germany, including a brief return of a grand coalition government, have sought incremental labor market liberalizations; even in Britain, the common policy element between Conservative and New Labour governments has been a commitment to a largely deregulated labor market and a rejection of collective industrial relations institutions.

The restructuring of employment relations institutions in a neoliberal direction across Western Europe has been something that could not take place without a more interventionist state. This is for three overarching reasons, though there are also nationally-specific sources of a wider and deeper role for the state in industrial relations. First, states have a set of distinctive capacities when it comes to the construction and "embedding" of new institutions, capacities not shared by private industrial actors. Overcoming resistance to institutional liberalization often requires that the state become more interventionist, just as Polanyi predicted. As existing employment relations institutions come under pressure in the context of changed economic conditions and a change in the balance of class power, states found themselves drawn into the process of reconstructing those institutions. Substantial institutional change is difficult in the absence of state action. Private industrial actors may be timid, divided, concerned with short-term interests, have sunk costs in existing institutions, or be generally unwilling to challenge existing institutions. Even when they are, change may require action on the part of the state in the form of changes to labor law. And attempts to challenge existing

employment relations institutions are also likely to generate high levels of industrial conflict, which draws the state in either to limit disruption or to manage legitimacy (Shorter and Tilly 1974, Kelly 1998). Thus we can expect the role of the state to be most significant in the movement from economic and social crisis to a new set of institutions designed to manage crisis.

State actors play a central role in the construction of employment relations institutions by virtue of a set of unique public capacities: enforcing and systematizing institutional change; narrating an authoritative interpretation of crisis; solving the collective action problems of employers and unions; redefining the very notion of worker representation, in the process bestowing legitimacy upon new forms of employee representation; anticipating and crafting alliances among private industrial actors; and it is important not to forget the state's overt coercive power (Howell 2005, Chapter 2). The state can serve as midwife of class compromises by acting as guarantor of agreements, preventing defection through legislation, boosting the associative power of labor, and providing side-payments to encourage agreement. The state is often best positioned to select successful regulatory experiments, institutionalize them, and extend them throughout the economy (Jessop 2002, Chapter 1); through its legal authority, the state alone can create a system in place of a set of scattered experiments.

Examples of state intervention of this kind – to overcome obstacles to a liberalization of industrial relations institutions – abound in our cases and are elaborated in our country cases. The Thatcher government limited recourse to secondary and sympathy strikes and made clear its support of employers in restructuring their relations with their employees; in the public sector, those relations were directly restructured or

entire industries were privatized; unionized firms were forced to bear the costs of unionization. In France, industrial relations reform was first and foremost a state project; of especial importance was the role of the state in creating and legitimizing new labor actors. In Germany, the Hartz Laws sought labor market and social insurance liberalization directly through legislation. In Sweden, state actors solved collective action problems for powerful collective industrial actors, who were unable to create new institutions and practices on their own; it anticipated the outlines of potential compromise and agreement between labor and capital and used crisis strategically at a crucial moment in the early 1990s in order to encourage the reconstruction of industrial relations institutions. This involved both a direct role in inaugurating a set of new bargaining practices and an indirect role in pressuring employers and unions to bargain in new ways.

The second source of greater state intervention in industrial relations, related but analytically distinct from the institution-building role of the state, involves the substitution of legal regulation for collective regulation in the face of the decline in power and influence of national labor movements. Direct legal regulation of the employment relationship has expanded and deepened as the willingness of states and industrial actors to respect collective self-regulation has collapsed. Labor law has come to substitute for collective regulation on the part of employers and trade unions. This reflects the attempt, often by center-left governments, to walk a fine line between flexibility and security in an era of labor decline. This practice is not exclusively the province of center-left governments but it is closely tied to the transformation of social democracy in Western Europe (Anderson and Camiller 1994, Cronin, Ross, and Shoch 2011).

Whereas social democratic governments during the long postwar boom largely

vacated employment relations to collective regulation at a time of union strength, the "modernization" of European center-left parties took place at a time of weakening labor movements. This posed a dilemma for these governments: how to manage new economic risks and insecurities, and protect workers when unions could no longer be relied upon to do so? At the same time, many of these center-left parties were also becoming more market-friendly and prepared to encourage greater labor market flexibility in a post-Fordist world. This made the dilemma even more acute because protection for workers had to be balanced against the apparent imperative of flexibility.

The policy response to this dilemma can be thought of as a distinctively "Third Way" of organizing work and employment relations, not least because the period of New Labour government between 1997 and 2010 was a particularly good example of it (see chapter 3 and also Crouch 2001). It involves juridical protection for workers in the form of minimum rights in the labor market (for example, a minimum wage, some form of job protection, rights for atypical workers, consultation rights within the firm), but protection carefully gauged to be compatible with expanded labor market flexibility. This approach also emphasizes "voice" (Freeman and Medoff 1984, Chapter 1) as a public policy good. Thus New Labour encouraged the voice function of unions and enlarged consultation rights in non-union firms, but did nothing to restore the rights to collective industrial action removed during the Thatcher era. It is a model of industrial relations centered upon the provision and enforcement of individual rights in the workplace by the state, with only a peripheral role for collective representation and collective bargaining.

This approach has a wider applicability than just Britain. One could argue in fact that it is a policy adaption specific to center-left governments in weakly coordinated

political economies (Howell 2004) where the institutional preconditions for collective coordination are absent and so the state has to step in in their place. It is an approach that captures important elements of the French experience over the last three decades, as governments either sought not to strengthen collective regulation of employment relations, or failed in that effort, and instead fell back upon attempting to regulate the labor market through the provision of individual rights, often as a fallback in the event that social dialogue failed. The emphasis upon voice, as expressed through weak non-union forms of labor representation, was also central to industrial relations reform efforts in France.

It is worth noting here the similarity to an argument made with specific reference to the United States. Piore and Safford argue that as collective regulation has weakened, it has been replaced "not by the market but by an employment rights regime, in which the rules of the workplace are imposed by law, judicial opinions and administrative rulings" (2006, 299). While we would argue that the market has indeed come to play a much larger role in the regulation of the workplace, the labor market and class relations, Piore and Safford are right to emphasize the extent to which collective rights to workers *qua* workers have been replaced with piecemeal rights to specific categories of workers, based upon either non-economic identities (race, gender) or some assumption of particular vulnerability (those in precarious employment, for example). The result is to expand the role of legal regulation and state agencies in industrial relations, even as collective regulation collapses.

The same approach is also apparent at the supra-national level. As the next section will discuss, the Maastricht Treaty responded to the more business-friendly implications

of the Single European Market and Economic and Monetary Union with some protection against "social dumping" under the heading of the Social Chapter. Yet what is striking is the similarity of the strategy chosen to that of Third Way parties; it privileges the provision of individual rights, enforceable through European and domestic courts, in place of attempts to strengthen the collective power of trade unions, which would in turn protect workers. In other words legal regulation, on behalf of a supranational semi-state, was preferred to strengthening labor movements, at either the national or supranational level.

The third source of a more interventionist state in the employment relations systems of Western Europe has come in the form of a revival of corporatism since the late 1980s, but corporatism of a different kind, with a different purpose, and often in different countries from those traditionally associated with social democratic and social market economies in the Fordist era. What these more recent forms of concertation have in common is an effort on the part of states to use peak-level bargaining in order to gain acquiescence to neoliberal macroeconomic and social policies from labor movements. The goal has been, fundamentally, to legitimize austerity. States seeking to implement neoliberal macroeconomic and social policy have often attempted to implement and legitimize those policies with the cooperation of labor movements. The late 1980s and 1990s saw the spread of national-level concertation in which trade unions were invited to endorse austerity measures. Commentators have captured this new reality by adding descriptors to the term corporatism: "lean corporatism" (Traxler 2004); "competitive corporatism" (Rhodes 2001).

The general conditions which gave rise to these social pacts were a combination

of the erosion of national competitiveness in the context of heightened international economic integration and the imperative for many European countries of reducing public deficits and inflation rates in order to meet the convergence criteria for Economic and Monetary Union. This explains both the timing of the revival of concertation – clustered from the late 1980s until the early 2000s – and the range of countries – particularly, though not exclusively, those of southern Europe – that had recourse to social pacts (Baccaro 2003). Among our cases, Italy stands out as an exemplar of this form of 'liberalization through concertation', though there are also elements of it in the practice of French governments, both Socialist and Gaullist, in the 2000s in setting out national priorities for labor market and industrial relations reform then convening peak level bargaining sessions to achieve those goals, and finally embedding the resulting agreements in binding legislation.

The range of elements incorporated into these agreements varied from country to country, depending upon the particular national obstacles to liberalization: wage restraint to reduce or stabilize wages; institutional reforms to limit wage indexation or deregulate the labor market; social policy reform to slow the rate of growth of government spending and reduce budget deficits. What they had in common was that they were predominantly concessionary on the part of trade unions, offering "least-worst" outcomes with only limited gains for workers (Gumbrell-McCormick and Hyman 2013, 103). Trade unions went along because they were divided, feared worse, or just sought to emerge organizationally intact.

8.4 The European Dimension

We wish to briefly draw attention to one further aspect of contemporary political economy that shapes the trajectory of industrial relations institutions among our cases, namely the impact of European integration. This is not the place for a comprehensive discussion of the impact of European integration upon industrial relations (Martin and Ross 2004, Ulman, Eichengreen, and Dickens 1993); our country chapters discussed how, and to what extent, developments at the European level influenced national industrial relations institutions. Our point here is simpler and speaks only to the issue of how European integration contributes a convergent, liberalizing trajectory to European political economies.

The acceleration in European integration that dates from the second half of the 1980s, with Delors' arrival at the head of the European Commission, the adoption of the project to complete the Single European Market and the Single European Act, closely overlaps with the period of our study. For all the false starts, aborted projects, U-turns and internal crises, the process of European integration over the last three decades has operated to deepen and institutionalize broader neoliberal projects and the forces of liberalization that shaped the context within which European industrial relations systems have been transformed. European integration adds an explicitly political narrative to understanding liberalization. As with the Polanyian argument of the last section, the removal of obstacles to market liberalization across the European continent was strongly encouraged by the concerted action of national governments and European Union institutions as they pursued the Single European Market and then Economic and Monetary Union.

Indeed, building off a discussion of Hayek's classic statement on the economic impact of federalism (Hayek 1939), Streeck has argued that "*federation inevitably entails liberalization*" (2014, 100, emphasis in the original) because it exacerbates the heterogeneity of interests that stand in the way of common regulatory action. Along similar lines, Scharpf (2010) has forcefully argued that there is an asymmetry to the politico-legal mechanisms by which European integration takes place that has "a liberalizing and deregulatory impact on the socio-economic regimes of European Union member states" (ibid: 211). While European legislation requires a high degree of consensus among member countries – which themselves have very different labor movement strengths and government political orientations – the European Court of Justice (ECJ) is able to act without achieving political consensus and has tended to privilege individual rights to enter and exit market exchanges over collective and national systems of social solidarity. The asymmetry manifests itself thus: "the liberalizing effect of judicial decisions may be systematized and, perhaps, radicalized by European legislation. But given the constitutional status of ECJ decisions interpreting Treaty-based liberties, political attempts to use legislation in order to limit the reach of liberalization are easily blocked" (ibid: 227).[1] The result is that the liberalizing impact of the ECJ will have little effect on the institutions and practices of liberal market economies, but far more upon coordinated and social market economies, encouraging a common trajectory.

The impact of European integration upon national industrial relations systems and institutions has been uneven, affecting some more than others. Broadly, it has affected least those countries that deregulated their labor markets and liberalized their industrial

[1] For an illustration of this asymmetry, see the dispute over the proposed directive on the use of collective action around the issue of posted workers (Broughton 2012).

relations institutions early – Britain would be a good example in this regard – and affected most those countries that had the hardest work to do in remaking their political economies in preparation for Economic and Monetary Union – here Italy stands out among our cases. By and large, the effects of EU-inspired or required macroeconomic policy has been more important and consequential for industrial relations than social directives or European Court of Justice (ECJ) decisions that directly impact industrial relations institutions themselves, though there have certainly been instances such as the Laval decision in Sweden that have shaped national industrial relations systems.

The European project influenced national industrial relations institutions in a number of ways. As noted above, the most important has also the most indirect. It has been the impact of Economic and Monetary Union on those countries that signed up for EMU (which does not include two of our cases, Britain and Sweden). EMU entailed the loss of a national currency, control over monetary policy transferred to the European Central Bank (designed to be even more independent than the Bundesbank), removal of all barriers to capital mobility, and achievement of convergence criteria with regard to inflation rates and public sector debt. For those countries with the most work to do in this regard, social pacts bore much of the burden of permitting and legitimizing austerity. In both the Irish and Italian cases, social pacts performed other functions, and predated EMU; nevertheless, they were invigorated their importance enhanced in the course of the 1990s in light of the imperative of preparing for EMU. In Italy the European Monetary System crisis in 1992 created the conditions for agreement to end the *scale mobile*, and central agreements in the middle of the 1990s helped build support for the fiscal austerity required to enter the Euro. Furthermore, EMU had, and continues to have, implications

for national systems of wage-setting as those countries with coordinated wage-setting mechanisms may be better able to make wages a macroeconomic policy variable (Dumka 2014).

But more generally, the manner in which European integration has taken place over the last 30 years – institutionalizing a strong commitment to price stability, constraining recourse to demand management, eliminating devaluation as a policy tool, removing barriers to the free flow of capital, outlawing industrial policy perceived to distort competition, opening up public utilities and procurement to competition – has created a macroeconomic environment that is largely unfriendly to labor and renders impossible or infeasible a wide range of policy tools that labor-friendly governments had once used to tighten labor markets or offer protection to workers. It is unsurprising that policies to create more flexible labor markets and interest in active labor market policy (policy which adjusts workers to markets rather than the other way around) have gained such widespread currency; other, more traditional policy tools are no longer available.

The full consequences of this new context became clear during the recent, and ongoing crisis, dating to 2008 and morphing through at least three distinct crises (Scharpf 2013). The literature on the Eurozone crises is voluminous (for a small sampling see Streeck and Schäfer 2013, Blyth 2013, Chapter 3), and not the subject of this book. The consequences of managing the European version of the Great Recession within this macroeconomic environment have been high unemployment across the Eurozone, but particularly among the largely southern European economies that were forced into massive internal devaluation in place of external devaluation, and savage cuts to public sector employment and a range of social policies as part of deficit-cutting exercises. In

this context, as Verdun notes, “the social dimension has been all but forgotten” (2013, 33).

All our cases, though clearly to different degrees, show evidence of a further liberalization of industrial relations institutions as a consequence of economic crisis (for further evidence see the cross-European surveys Heyes and Lewis 2014, Degryse, Jepsen, and Pochet 2013, Marginson and Welz 2014). Marginson (2015) has usefully distinguished between the experience of two groups of countries. The first, made up of continental European and Scandianavian countries, where economic crisis led to further decentralization and disarticulation of bargaining, but where that process was largely negotiated. The other, comprising mostly southern European countries, where the equivalent processes were imposed from outside by European institutions as part of restructuring programs.

A further consequence of the Eurozone crisis has been to tighten the deflationary architecture of the European Union and introduce new levels of surveillance of national finances through a series of measures introduced as part of a Fiscal Compact in 2011 and 2012 that “amount[s] to a constitutional revolution” (Scharpf 2013, 136) overturning the hitherto existing balance of national and EU competences. It should be noted, the new economic governance architecture put in place since 2010 has no formal role for business or labor organizations (Verdun 2013); they are free to lobby at the national level, but national policy-making is increasingly constrained from above. The manner in which debt restructuring and bailout programs have been implemented in many of the southern European countries has specifically targeted coordinated collective bargaining: “initiatives through 2011 and 2012 saw the European Council and Commission

intervening to an unprecedented extent in wage movements, and also wage-setting mechanisms" (Marginson 2015, 108) with the result that "where articulation mechanisms were already poorly specified, a series of largely imposed changes have progressively detached the company level from multi-employer bargaining arrangements, and most recently cemented the priority of company agreements" (ibid: 106). This has been liberalization of industrial relations from above.

Adding to the deregulatory and liberalizing logic of European integration has been the impact of the free movement of labor and capital, and of particular importance for industrial relations, a series of European Court of Justice (ECJ) decisions that explicitly privileged free movement over national industrial relations practices. The Laval decision, among others, limited recourse to national constraints upon social dumping. Specifically in the Laval case, it was recourse to strikes in Sweden as a mechanism to enforce national standards of pay and conditions that was outlawed. Swedish industrial relations institutions had largely weathered the first two challenges of Europeanization – being outside the Single Market after 1987 even as Swedish firms saw advantages to locating outside of Sweden to take advantage; being inside the Single Market after Sweden joined the EU in 1995 – intact; indeed those institutions were to a large extent designed to retain the competitiveness and flexibility of Swedish firms. However, the challenge posed by the accession of low wage, poorly regulated former Eastern European countries in 2004 was far more serious, affecting a range of sectors that were vulnerable to competition from low wage, highly mobile workers, such as truck drivers and construction workers.

Responding to social dumping, in the context of ECJ decisions, poses particular problems for industrial relations systems that are heavily dependent upon collective regulation, with a limited role for labor law in enforcing minimum standards of pay and work. It leaves trade unions hamstrung with the result that either standards are undermined or states are encouraged to play a more interventionist role. Small wonder that some isolated voices inside the Swedish labor movement have called for consideration of government extension and enforcement of collective agreements while in the last 15 years both Britain and German have for the first time introduced statutory minimum wages, no longer confident that collective regulation can protect workers.

The so-called Social Chapter of the European project, first introduced as part of the Maastricht Treat in 1993, was precisely understood as a response to the deregulatory logic and danger of social dumping embodied in the Single Market project. It predated the expansion of the European Union to the East, which accentuated the dangers of social dumping, but even prior to 2004, the ability of European firms to more easily relocate within the EU made the risks for existing national labor standards clear. The Social Chapter was subsequently consolidated and incorporated as Chapter IV into the Lisbon Treaty.

Again, this is not the place for an examination of the European dimension of industrial relations as it has emerged over the last two decades (Gumbrell-McCormick and Hyman 2013, Chapter 7); our focus is the liberalization of national industrial relations institutions. Nonetheless, as noted earlier in this chapter, social developments at the European level have been broadly congruent with a Third Way approach. That is to say, they have emphasized the creation of minimum rights and standards at work,

enforced by state agencies and courts, rather than buttressing collective rights or collective regulation. Pay and trade union rights, including the right to strike, were specifically excluded from the Social Chapter. Some limited rights of consultation for firm-specific forms of worker representation, like works councils, did appear (emphasizing the importance of voice over collective power), but little that would strengthen unions. What has followed in the intervening almost two decades has been the passage of a series of directives offering protections to specific categories of workers considered particularly vulnerable in the labor market, based either on the type of work – part-time, temporary and agency work – or the type of worker – female workers, migrant workers, the disabled.

European level social protection, because of its focus upon creating floors of minimum rights against the dangers of social dumping, has had most impact upon those countries with already weakly regulated labor markets. But even here, national governments have been given wide leeway to implement social directives flexibly. Britain is the archetypal case in this regard. The Conservative government of John Major obtained an opt-out from the Social Chapter in 1993. The New Labour government of Tony Blair ended the opt out, but nonetheless was able implement social directives, such as the working time directive and the worker information and consultation directive in a manner so as to be minimally disruptive to existing industrial relations practices and institutions. And when the Treaty of Lisbon was negotiated, incorporating the Charter of Fundamental Rights, Britain (and Poland) negotiated an opt-out protocol stating that economic and social rights embedded in the treaty were not judiciable under the ECJ, thus ensuring the predominance of national labor law.

8.5 Conclusion

Liberalization of industrial relations institutions has been a universal tendency among our cases. The precise mechanisms of institutional change have differed from country to country, reflecting different starting positions and obstacles to liberalization, as well as different configurations of class power. Deregulation has been the preferred mechanism of liberalization in some countries, while derogation or conversion have been more important in others. Yet what is striking is the degree to which, across a range of domains, employer discretion has expanded everywhere, most obviously through the retreat of collective regulation and statutory regulation and its replacement by decentralized or individualized bargaining, often with firm-specific worker representatives, some of them newly-created for just this purpose; even where local unions still take on the role of bargaining over pay and conditions, they are likely to be more detached from national labor organizations and higher levels of bargaining. Where national levels institutions of collective regulation remain, actors at the firm level have been given wider permission to opt-out of national or sectoral agreements, or even to derogate from statutory labor law. In some cases, national institutions have been repurposed to encourage local bargaining or legitimize austerity.

There remains a wide range of trade union densities and forms of employer organization across Western Europe, and no one could confuse the degree of union influence over the economy and the polity in Sweden with that in Britain. And yet everywhere the representatives of workers are weaker than they were three decades ago, in some case dramatically so, and unions bargain over concessions rather than gains; it is

hard to think of a significant area of social progress in any of our cases that has resulted from labor pressure in recent years. Employer organizations, on the other hand, have become more politicized, more self-confident, more committed to neoliberal formulations, and more willing to challenge existing industrial relations institutions. In this task they have increasingly been joined by governments, including those of the center left. States have proved more interventionist in industrial relations even as they have retreated from direct regulation of the labor market. All this has taken place in the context of a reinvigorated project of European integration that has institutionalized a deflationary and deregulatory economic logic, simultaneously creating a harsh macroeconomic environment for labor while closing off opportunities for using any residual national political influence.

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