

COMING TO TERMS WITH GLOBALISATION: BRITISH TRADE UNIONS, ECONOMIC MODERNISATION AND DEMOCRACY.

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INTRODUCTION

1. This paper is concerned to locate the process of economic modernisation, adopted by New Labour under wider banner of the 'third way', within the broader context of globalisation, comparative political economy the contested nature of modernisation evident in the policies of reform-minded British trade unions. First, I briefly outline the concept of globalisation, focusing particularly on the conceptualisation of globalisation adopted by so-called competition state theorists. My primary objectives in this section are (a), to locate the general imperative towards policy modernisation within the context of the increasingly open global economy; (b) to introduce competition state analysis as a critical tool for analysing modernisation. Secondly, I very briefly outline New Labour's approach to modernisation. Thirdly, I identify distinct approaches to modernisation adopted by 'post-Fordist' British trade unions and examine how these alternatives relate to New Labour's approach. Finally I critically evaluate New Labour's approach to economic and labour modernisation in terms of the imperatives of inclusion and democracy. I argue that the contested nature of modernisation evident in competition state theory is reflected in the different approaches to modernisation adopted by New Labour and the AEEU on the one hand and the GMB on the other. It is suggested that these empirical case studies help to illustrate one of Lipietz's key contentions, namely that postfordism offers broadly two possible modes of national regulation *within* the wider structural context of globalised economic relations: an exclusionary, neoliberal mode and a solidaristic, socially inclusive mode.

GLOBALISATION: CONTEXTUALISING ECONOMIC MODERNISATION

2. The process which more than any other has underscored the imperative of modernisation faced by government is globalisation. The concept first became widely used in the late 1980s and was associated with a largely American literature informed by the dominant neoliberal and realist perspectives in International Relations and International Political Economy. One of the central themes of this literature was the idea that the increasingly integrated world economy that emerged in the later decades of the post-war era, posed a fundamental challenge to the sovereignty of the nation state and that, in particular, it marked the death-knell of the previously hegemonic Keynesian social democracy. According to this view, national adaptation to globalisation necessitated the acceptance not only of the competitive imperative but of specifically neoliberal policy prescriptions for successfully accommodating this imperative, particularly labour market reforms aimed at reducing costs by increasing labour and wage flexibility. From this view, globalisation — signalled empirically by the rise of multinational corporations (MNCs) and associated foreign direct

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investment (FDI) as well as the globalisation of finance — represented a fundamental challenge to the autonomy and independence of nation—states upon which social democracy and broadly progressive regulation was said to have emerged. Like it or not, so the argument went, the competitive market order had become hegemonic, economically, while neoliberalism was the determined national political consequence of this hegemony which all governments had to face through policy reform and economic modernisation. Much of this so—called ‘first wave’ of globalisation analysis was subsequently challenged by critics, mainly on the left, who argued that the globalisation thesis was too deterministic and was in any case exaggerated. Such critics rejected the view that neoliberalism was inevitable and maintained that the decline of the state was a dangerous, ideologically driven myth.

3. Between these two extremes in the globalisation debate, so—called ‘competition state’ analysis has emerged as an approach which, while accepting much of the economic globalisation theses, has taken a much less deterministic approach to the impact of globalisation on the state and state policy. According to competition state analysis, the main institutional effect of globalisation has been the undermining of *national* Keynesianism and domestic demand management as the basis for progressive socio—economic regulation. For Philip Cerny, one of the leading competition state theorists, this represents part of a general process of transition from the global hegemony of the Keynesian/welfare state towards the new hegemony of the ‘competition state’. But, as competition state research has generally argued, pointing to a mass of research in comparative political economy undertaken since the mid 1980s, the transition towards the competition state is not determining in policy terms; rather there are *alternative* regulative models (i.e. alternatives to national Keynesianism), which can operate successfully *within* the general competitive constraints of globalization. For competition state analysis, therefore, ‘marketisation’, defined in *general* terms as the adaptation of national economies to external competitive imperatives, must be distinguished from the *specific* form taken by marketisation under different national modes of regulation in the post—Keynesian era.

4. Competition state analysis maintains that adaptation to the constraints of globalisation may be consistent with neoliberalism or social democracy. In practice, alternative regulative models will tend to be closer to one or the other ‘ideal’ type. The neoliberal or deregulatory ideal type tackles the competitive imperatives of the global economy on the basis of low labour costs, that is, relatively low wages, and low welfare provision. Alain Lipietz has characterised this model in terms of ‘negative flexibility’. The alternative, social democratic model, tends to be more socially inclusive — providing relatively high wages and comprehensive welfare provision and offering democratic access to high quality employment opportunities. It is able to meet competitive pressures through high levels of labour productivity based on a strong commitment to technological investment and innovation facilitated by progressive forms of relations between management and the workforce establishing and nurturing innovative forms of flexibility on both sides of the ‘productive class’. This model is sometimes referred to as the German or European Model and is based on what Rhodes (1998) calls ‘competitive corporatism’. Lipietz refers to this model in terms of ‘positive flexibility’.

NEW LABOUR'S RESPONSE TO GLOBALISATION

5. New Labour's response to globalisation has been first and foremost to acknowledge the reality of the process and to recognise that it has had a profound impact on governance and policy as well as the parameters and content of national social, economic and industrial relations regulation. On occasion New Labour has appeared to welcome and celebrate globalisation while at other times New Labour's approach has been more apologetic or fatalistic. What is not in doubt in New Labour's approach is that there has been a general shift under globalisation away from the structures, policy discourses and intersubjectivities of Keynesianism, and towards a new policy context structured around 'open economy' macroeconomics, 'new growth' theory and the central imperative of international cost/quality competitiveness. New Labour has thus accepted, in general terms, the transition to the competition state. However, what is also important to identify in the context of this paper is New Labour's particular interpretation of the competition state and the types of policy reform required by 'modernisation' in the direction of the competition state.

6. Firstly, the acceptance of globalisation and open—economy macroeconomics has led to a general downplaying by the government of the demand—side of the economy and the active use of demand management as an instrument of economic management. Instead New Labour has embraced fiscal and monetary prudence, most clearly sign—posted in the government's granting of operational independence to the Bank of England, its commitment to the restrictive monetary and fiscal framework established under the EU's economic and monetary union, and its medium to long term objective of joining the Euro zone.

7. Second, and more proactively, New Labour has responded to the competitiveness imperative by embracing a broad range of supply—side policies. The most significant positive supply—side initiatives have been introduced within the general framework of 'employability' and social inclusion discourse, consciously developed as a supply—side alternative to the Keynesian/demand management preoccupation with inclusion through full employment. Employability/social inclusion discourse articulates an active and positive approach to the labour market that covers a wide variety of policy interventions in areas such as education, health, housing and transport. The overall aim is to provide resources that create a highly mobile (both geographically and technically), highly skilled, adaptable ('positively flexible') workforce. More specifically, New Deal interventions have included greater access to careers and employment advice, access to life—long education resources, provisions for retraining, access to the internet, the provision of child—care facilities, provision of transport services, pensions advice and mobility, the introduction of modular degree schemes portable between institutions and over time, community—based training and skill exchange schemes etc.

8. These sorts of *positive* supply—side policies, particularly those focused on education and training resources are referred to by New Labour as 'investment in Human capital' or in the so—called knowledge economy. They are supposed to represent a shift in policy away from simple and crude labour market deregulation (*negative* supply—side policy, or what Coates refers to as 'competitive austerity'), which was championed in the past by neo—liberals and was mainly aimed at government expenditure cuts and getting people off the dole and into low paid work. By contrast, employability policies are said to be positive because they empower the individual, by providing them with skill and access resources during job search and over the career cycle. Such market power reflects the better skills profile individuals

develop which in turn increases their productive potential and thus attractiveness to employers. It also aimed at increasing the income earning potential of the individual as their bargaining power increases. Such positive supply—side policies are said to address one of the main deficiencies in the previous Conservative governments' approach to the labour market, namely the opening up of a skills gap (significant labour shortages in sun—rise 'high tech' industries) that occurred in the 1980s despite very high levels of unemployment.

POST—FORDISM AND BRITISH TRADE UNION RESPONSES TO GLOBALISATION

9. New Labour's acknowledgement of globalisation as a structural process and the consequent policy shift from the Keynesian to the competition state has been paralleled in policy re—evaluations and 'modernising' agendas developed since the mid 1980s by British trade unions, particularly those unions broadly identified with post—Fordism. However, reflecting the contested nature of modernisation as a concept, there are significant differences of approach among the post—Fordist unions in terms of their understanding of modernisation and its implications for social, economic and industrial relations policy.

NEOLIBERAL POST—FORDISM

10. As is well documented elsewhere (Bassett 1986; Lloyd 1987), the AEEU (formally EETPU and AEU and now part of Amicus) has been recognised as, perhaps, the leading exponents of post—Fordist practices from the right wing of the British trade union movement. In the 1980s the union gained renown for its perceived acquiescence with the Thatcherite/neoliberal agenda for labour process and labour market flexibility. The union's support for flexibility was evident in its championing of Japanese working practices, such as just—in—time production, as well its willingness to import such practices into Britain through the agreement of single—union 'no strike' deals on Greenfield sites with leading Japanese manufacturers such as Nissan and Toyota. More generally, the AEEU has been at the forefront in promoting the advantages to manufacturing industry of a wide set of corporatists and co—operative practices and institutions characteristic of Britain's key industrial competitors, including Germany, Japan, South Korea and Taiwan, but generally negatively evaluated by left wing and public sector British trade unions.

11. In common with New Labour, discussed above, post—Fordist unions generally have articulated key aspects of labour process, labour market and employment modernisation policy around the principles of supply—side economics. However, an *overriding* and *one—sided* emphasis on supply—side economics has been characteristic specifically of the *right—wing* post—Fordist unions such as the AEEU. A good example of this one—sided approach was provided by the AEEU's submission on full employment policy to the 1994 TUC Congress. The AEEU's motion uncritically adopted New Labour's approach to employment in focusing exclusively on supply—side measures aimed at improving labour quality, mobility and 'employability'. The exclusive supply—side emphasis of the union's proposal was in marked contrast to the approach evident in separate submissions on economic policy from the TGWU, UNISON and the GMB, all of which called for much stronger demand—side measures to tackle unemployment. In more recent years the AEEU's preference for supply—side approaches to employment policy has been evident in its positive evaluation of the European Union's employment policy developed around the employment chapter agreed as part of the Amsterdam treaty in

1997. Partly reflecting the influence of New Labour, the Amsterdam employment chapter rejected the balancing of macro— and micro—economic employment initiatives, which had been characteristic of the European Commission’s approach during the Delors presidency, in favour of a singular emphasis on the micro—economic concept of ‘employability’, articulated around policies designed to improve the technical mobility of labour by emphasising individual skill acquisition, ‘entrepreneurship’ and ‘adaptability’. Despite this almost exclusive focus on neo—liberal notions of micro—economic flexibility, the AEEU welcomed the Amsterdam chapter without qualification.

LEFT POST—FORDISM

12. The AEEU was never the only advocate of post—Fordist modernisation within the British union movement. From the early 1980s the large centre—left general union, the GMB, had been one of the leading modernising forces on the left of the British labour movement having recognised early on the need for unions to adapt to the changed political economy environment that had emerged from the crisis years of the 1970s in which neo—liberalism and financial austerity had gained dominance. This was evident in the GMB’s approach to both economic and industrial relations policy, which, in seeking to develop a coherent modernisation agenda, drew increasingly on the concepts and discourse of post—Fordism. In Britain post—Fordist discourse was articulated as a coherent left political economy from the mid 1980s principally by the journal *Marxism Today*. However, the theoretical foundations of post—Fordism as a left discourse were provided in the late 1970s and early 1980s by the French regulation school of political economy notably through the work of Alain Lipietz.

13. Like New Labour and the AEEU, the GMB’s approach to modernisation also starts from a critical appraisal of *national* Keynesianism. Moreover, the GMB also shares with New Labour and the AEEU an emphasis on the need for greater competitiveness through supply—side reform. The GMB’s recognition of the supply—side imperative has been particularly evident in the union’s various presentations of the case for European monetary union and exchange rate stability. For example, in a motion submitted to the 1990 TUC, the union argued that a crucial advantage of ERM membership was that it introduced a ‘new realism’ into pay bargaining which required business and government, as well as the unions, to acknowledge that poor competitive performance in manufacturing markets was caused not just by the exchange rate but, more fundamentally, by poor product quality, lack of product diversity and low productivity. These were all key issues raised in the post—Fordist theoretical literature. The GMB maintained that such underlying problems could only be rectified by long term investments, particularly in training and new technology, aimed at improving supply—side performance.

14. However, in contrast to New Labour and the AEEU, the GMB has been far more circumspect in its support for the flexibility approach to employment. For example, in sharp contrast to the AEEU, the GMB has been critical of New Labour’s complete sidelining of macroeconomic full employment policy in favour of employability. Thus, for example, while supporting positive supply—side initiatives the GMB has nevertheless joined other unions in criticising the lack of *demand—side* initiatives in New Labour policy. The GMB’s more cautious approach to flexible labour markets has instead drawn on the *left* post—Fordist discourse identified above. This has developed an alternative to national Keynesian social democracy around a radical

version of labour process and labour market flexibility. This has been based, firstly, on a radicalised version of the European concept of ‘social partnership’, and secondly, on recognition of the need for new forms of demand—side, macroeconomic interventions, to give macroeconomic support for radical social partnership. For example, the GMB along with other British trade unions has strongly supported the case for a Delors—style Euro—Keynesian policy.

15. The GMB’s case for a radical form of social partnership underpinned by an appropriate macroeconomic framework strongly parallels the idea of ‘negotiated involvement’ or negotiated, ‘positive’ flexibility developed by Alain Lipietz and the regulation school of political economy. For Lipietz, the progressive or democratic implementation of moves towards greater productive efficiency, cost and product competitiveness and labour flexibility, requires institutionalised guarantees that such modernisation can benefit both capital (in terms of profitability) and labour. At the supply—side level this requires that the modernisation of the labour process and increases in labour productivity made possible by the introduction of flexible technology is matched by a democratisation of industrial relations to ensure institutionalised worker access not only to information and consultation but also company and industry decision—making processes, through the development of structures of industrial democracy. However, it also requires the development of mechanisms for guaranteeing democratic access to employment opportunities.

FACILITATING PROGRESSIVE MODERNISATION

16. To summarise, New Labour’s current policy concern with modernisation is rooted in the perceived impact of globalisation on the operational parameters of social, economic and industrial relations policy. The modernisation imperative can be seen as the consequence of what Cerny and others have identified as the transition from the (hegemonic) Keynesian welfare state, under which the need for international cost competitiveness was seen as secondary to the primary policy objectives of demand generated national full employment, towards the competition state, under which the need for international competitive advantage has gained precedence in policy terms.

17. New Labour has faced resistance to modernisation from some trade unions, notably the public sector unions most directly affected by competition state restructuring. As was noted above, many of these unions remain committed to a programme of national, demand—led, Keynesian political economy as well as to the conflictual model of industrial relations. By contrast, other sections of the British trade union movement, have recognised the crisis of national Keynesianism which has occurred under new structural conditions created by globalisation and have acknowledged the need for workforces and their unions to modernise in order to positively come to terms with the imperatives of the competition state. This has been evident in support for the social partnership model of industrial relations and the use by these unions, in policy re—evaluation and development, of ideas drawn from post—Fordist discourse.

18. However, while some of the post—Fordist unions, notably the AEEU have been supportive of New Labour’s approach to modernisation, others, notably the GMB, have been more critical while nevertheless acknowledging the need for and benefits of reform. On the positive side, it is acknowledged that New Labour has adopted a number of positive supply side initiatives, aimed at achieving a progressive version of the competition state — what Coates refers to as ‘progressive competitiveness’ — based around a highly skilled and adaptable labour force, composed of multi—skilled

and highly mobile workers taking advantage of life—long access to high quality training and retraining and a general long term state commitment to investment in human capital.

19. However, on the negative side, left post—Fordist unions have criticised New Labour's failure to develop the 'positive flexibility' agenda more directly in terms of industrial relations institutions and legislation. Rather, critics from the post—Fordist left argue that New Labour's approach to industrial relations has been essentially to accept the legacy of Thatcherism. No attempt has been made to reverse the anti—trade union legislation introduced by the Conservatives in the 1980s and early 1990s and no significant positive industrial relations initiatives have been introduced by New Labour. While social partnership as a basis for more consensual and inclusive industrial relations has been partially endorsed by New Labour through the ratification and consolidation of the European Union (EU) social and employment chapters, there has been no attempt to develop a modernisation agenda for industrial relations around a deeper institutionalised commitment to negotiated involvement as favoured by the left post—Fordist unions.

20. Perhaps the closest New Labour has so far come to embracing a more radical and inclusive form of social partnership as a basis for modernisation was its brief adoption in the mid 1990s, prior to gaining office, of the stakeholder model of capitalism, as developed by Gamble and Kelly and popularised by Will Hutton. This model had broad application across policy sectors and had direct implications for industrial relations, advocating a variety of democratically inclusive mechanisms and institutions, such as works councils co—decision boards and co—ownership, for developing industrial democracy. But as Andrew Gamble has noted the 'big idea' of 'stakeholding' was rapidly abandoned by New Labour once it entered office in 1997 and has since seemingly sunk without a trace.

21. Thus, there is currently little evidence that New Labour is interested in developing positive flexibility beyond the labour market and into industrial relations proper. Moreover, New Labour's commitment to fiscal prudence and its singular emphasis on the microeconomic/supply side strategy of employability serves to underline its failure to explore alternative, post—Keynesian agendas for modernising demand—side macroeconomic policy. For example, it is notable that New Labour has been reluctant to explore the possibilities of developing a coherent Euro—Keynesian policy as advocated by Lipietz and supported by a large and diverse group of British and European trade unions and social democratic political parties and social forces. In the absence of a coherent expansionary demand side strategy or a significant expansion of job opportunities in the skilled sector (which may or may not require a demand—led growth) to support supply—side modernisation critics maintain that the positive objectives of labour process, labour market and benefit system reform, namely, democratic social inclusion and the reduction of poverty, will be undermined by the reserve army effect (see Glyn and Wood, 2001). The evocation of a reserve army effect by New Labour's critics highlights the compulsory/undemocratic elements in the governments narrowly focused labour modernisation and reform programme and more generally focuses critical attention on the intensification of competition in the labour market created by the *combination* of macro—economic austerity and the supply—side reform. Within this essentially neoliberal context New Labour can expect to meet opposition to labour modernisation not only from the old left, dominant in the public sector, but also from its potential allies on the modernising—inclined post—Fordist left.

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