

## 10

### **Public policy – a new social contract?**

#### **Main tasks**

- **Understand the multiple roles the state plays in employment relations**
- **Appreciate the underlying rationale for these roles**
- **Outline the main phases of recent policy making including flexibility and austerity**
- **Consider why a 'new social contract' is being proposed and what might be involved**

#### **Summary**

Although the nature and extent of the state's role has differed from country to country, it has nonetheless been pivotal everywhere in shaping the governance framework of the employment relationship. Indeed, the state has come to assume the role of 'guarantor of the employment relationship'. Historically, the main common concern was with industrial conflict - the machinery for handling disputes continues to be an important function. A recognition of the asymmetry of power in the employment relationship, coupled with the growth of a substantial working class with the vote, led to the introduction of individual employment rights and legislative support for employee 'voice' in the form of employee works councils and/or support for collective bargaining. From the 1980s the thrust of public policy changed reflecting the end of 'Fordism', global competition and the rise of 'neo-liberalism'. 'Flexicurity' became the watchword. Security in terms of rights was to be offset by greater flexibility of hiring and firing, setting working time and bearing the costs of employment. Following the financial and economic crisis of 2008-10, austerity intensified pressure on wages and public expenditure at the same time as drawing attention to the threat that 'financialisation' posed to the standard employment relationship. As Chapter 2 observed, international bodies like the UN began expressing concerns about the implications of increasing inequality at the beginning of the millennium. These concerns have been growing ever since as many millions suffered a decline in living standards. Even before the coronavirus pandemic, there was a widespread consensus that the No 1 public policy issue was inequality and the need for a new social contract to deal with the underlying distributive tensions.

## **Introduction: the multiple roles of the state**

As previous chapters have pointed out, the role of the state in employment relations has differed considerably from one country to another. In France, for example, this role has been all-pervasive and legal enactment rather than collective bargaining the dominant process. In the UK, by contrast, the state for many years largely stayed out of the area – 'voluntarism', 'abstentionism' and 'collective laissez-faire' were the guiding principles. In part, to develop a point in Chapter 3, this is because of differences in the timing and pace of industrialisation and in part because of very different conceptions of the role of the state. Be that as it may, the role of the state has been pivotal in every country with activity in four main areas:

- legislation dealing directly with the employment relationship or amendments to it such as the activities of trade unions and collective bargaining
- 'employment policy', i.e. measures to ensure employment, recruitment and placement, and training and skills
- social protection measures to deal with the situation of those unable to work or no longer able to work, including basic provision for illness, incapacity and old age
- the overall legal and economic context within which employment takes place - especially critical in the first instance being the legal framework of corporate governance and, in the second, the nature and extent of fiscal and monetary policies.

Not to be forgotten either is that the state, in both its national and local forms, is a very large employer in its own right, employing either directly or indirectly something between a fifth and a quarter of the workforce in most countries, with the wages bill being a very considerable element in public expenditure. Public sector employment is also distinctive in several respects. As well as employing a relatively high proportion of professional workers, for example, in health, social services and public administration, it has many employees in relatively low paid jobs. The proportion of women employees is also higher than that of the private sector. The setting of the terms and conditions of employment tends to be highly centralised in the interests of mobility and consistency.

In these circumstances, and because of the potential impact of strikes, public sector employment relations have a high profile. For much of the post-world war 2 period, there was a widespread consensus that the state should be a 'model employer' setting the example for employers in the private sector. This is true of both the substantive terms and conditions of employment and the procedures and processes by which they were established. The following description of the situation in the UK could be applied to the other countries:

From 1945 onwards, public sector employment in health, education and social services grew rapidly as part of the development of the welfare state ... the state was a 'model employer' setting an example to the private sector by endorsing principles of fairness, involvement and equity in its treatment of its workforce. These principles were associated with the encouragement of trade union membership, support for centralised systems of collective bargaining and other forms of workforce participation which

encouraged the expression and resolution of grievances<sup>1</sup>.

### **Theorising the state's roles**

If what states 'do' is relatively transparent, the motivation for doing it is much more complicated. Writing in 2009, Heyes and Nolan suggested the role of the state was 'one of the most complex and under analysed, across the social sciences'<sup>2</sup>. Complicating matters was that it was not only the nation state that had to be considered. In the case of European countries, the development of the European Union means that there has been a transnational dimension to be considered as well – the EU is not a 'superstate' and yet is more than an inter-governmental organisation, with a not inconsiderable competence in employment relations.

Historically, as Heyes and Nolan describe, two main schools of thought emerged, albeit with a number of variants. For many years, the '*pluralist*' perspective was dominant. Essentially, this sees power within society being dispersed between different organised interests groups, each of which has the opportunity to pressurise the state to advance its interests. From this point of view, the state is seen as being largely neutral - its job is to hold the ring and try to balance the interests with which it is confronted as best it can within an overall constraint of maintaining law and order. In the early days of capitalist development, this meant largely responding to the interests of employers. With industrialisation, the emergence of a working class, and universal suffrage, however, things became more complicated, with policy becoming a product of more or less recurrent bargaining with and between employers and trade unions.

At first sight, the second school of thought appears fundamentally different. Its starting point is Marx's comment in *The Communist Manifesto* that the state is but the 'executive committee for managing the common affairs of the whole bourgeoisie'. Far from being neutral, in other words, the state is very much on the side of capital and is so because the basis of society is the economy. As Marxist theoreticians argued in later works, however, this did not necessarily mean that the state reflected the immediately expressed interests of capital or a particular group of capital. The state's 'structural' position in capitalist society means that its overriding concern has to be the long-run viability of a system of wage-labour relations rather than the interests of any one particular group - following Poulantzas, the state is said to enjoy 'relative autonomy'<sup>3</sup>. The result is that the state can appear to assume the role of the power broker that it has in the pluralist perspective.

#### *Regulation theory*

In the decade since the first edition, Baccaro and Howell<sup>4</sup> suggest there has been an 'explosion of scholarship' in theorising about the state. Much of this is associated with Marxist-derived regulation theory. Essentially, the regulation approach is about the ways the

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<sup>1</sup> Bach, S. 2009. 'Public sector industrial relations: the challenge of modernisation', in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. pp.153-4.

<sup>2</sup> Heyes, J. and Nolan, P. 2009. 'State, Capital and Labour in Crisis', in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.106.

<sup>3</sup> Poulantzas, N.1973. *Political Power and Social Classes*. London: New Left Books.

<sup>4</sup> Lucio Baccaro and Chris Howell. 2017. '[Unhinged Industrial Relations Liberalization and Capitalist Instability](#)'. *MPIfG Discussion Paper* 17/19, p. 102.

state is involved in the attempt to manage the instabilities capitalism gives rise to. There are two central concepts: the ‘accumulation regime’ (AR) and ‘mode of regulation’ (MR), i.e. set of institutional laws, norms, forms of state, policy paradigms. Discussion revolves around the way production, circulation, consumption, and distribution organize and expand capital to stabilize the economy over time.

In context, the regulation approach developed to understand the ‘tectonic shift’<sup>5</sup> in the organization of capitalism from ‘Fordism’ to post-‘Fordism’. Under ‘Fordism’, institutions such as trade unions and collective bargaining were used to link the sphere of production and the sphere of distribution by transmitting productivity increases into real wages and aggregate demand. In turn, they also created incentives for firms to increase productivity by promoting capital intensity, augmenting skill levels, and/or upgrading to markets with higher value added. But ‘Fordism’ proved to be but a temporary phase: the social and technical limits to ‘Fordism’ meant productivity gains decreased, globalization made the management of national economies increasingly difficult and increased state expenditure produced inflation and state overload. Competition also shifted consumption norms away from the standardized commodities associated with mass production.

The resulting crisis of wage-led growth spurred the search for alternatives, such as easier access to debt and the accumulation of external surpluses (export-led growth). In all ‘post-Fordist’ growth models, however, wages are a residual variable that adjusts to other variables. Institutions such as trade unions and collective bargaining are an inefficient rigidity only worth preserving if they bring about wage moderation while guaranteeing a modicum of commitment by core workers. Hence the role that governments played in the liberalization of employment relations systems, including their reengineering to produce increased employer discretion in the employment relationship.

But, by definition, ‘post-Fordist’ growth models are themselves internally unstable and do not easily assure the levels of aggregate demand needed for full employment. The future is therefore uncertain. In theory, there are two ways to re-embed capitalism: through a new form of Keynesian internationalism coordinating demand expansion or by strengthening the ability of national governments to intervene in the economy, implying a fundamental departure from internationalism.

Either way, the role of the state will be critical. This is because capitalism depends on its ability to recreate institutions that reconnect aggregate demand and aggregate supply, enabling demand to expand in parallel with the productive capacities of the economy.

### *Game theory*

The second main development in state theorising has been in economic thinking. To paraphrase Stiglitz<sup>6</sup>, until recently a particular view of the market economy prevailed entailing ‘simplistic firms which maximize profits ... households consisting of unitary actors, and households and firms interacting in competitive markets through a price mechanism’. It also depended on three critical assumptions: there was no problem of preference aggregation in households and firms; there was no problem of contract enforcement - each party faithfully carried out what was agreed; and no one had market power - all markets were competitive .

There was, he goes on, no discussion of institutions and their interactions simply because they did not matter: they were ‘superficial’. By implication, there was a limited role for the

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<sup>5</sup> Ibid, p.20

<sup>6</sup> G. Stiglitz. 2017. ‘[Market, States and Institutions](#)’. *Roosevelt Institute Working Paper*.

state, which some felt that should be stripped to the ‘irreducible minimum’<sup>7</sup>. To understand resource allocations (including income distribution), one simply studied the laws of supply and demand.

In recent years, however, especially following the experience of ‘neo-liberalism’ discussed later, all the standard model’s assumptions have been challenged - and so too the belief that institutions do not matter. Indeed, says Stiglitz, the standard competitive equilibrium model is no longer the ‘right’ model for thinking about much of what goes on in the economy. Rather it is the insights of game theory that are most helpful. It is the rules of the game that matter - and because the state sets the rules - so does the state.

The problem is that, because it is a public good benefiting everyone, there is always an undersupply of good government. There are also incentives to subvert it, resulting in efforts at rent-seeking and state capture (i.e. using the power of the state, including its powers of compulsion, to advance particular interests). And this is what happened, he says, talking about ‘neo-liberalism’ and austerity:

the rules of ... capitalism ... changed in ways that favored the powerful at the expense of the rest ... allowing, for instance, those in the financial sector to reap huge rewards from excessive risk-taking, with the downside risks being borne by the public.

The adverse effects of these rewritten rules was even greater because they led not only to more inequality, but also to lower growth, as they encouraged firms to focus on short-term financial returns, and to use their scarce capital for purposes other than investments in productivity enhancement.

The perspectives discussed here may have different starting points; they may also attribute different motives to the changing role of the state. Very clear, though, is that they agree on one fundamental: the state matters because it sets the rules of the game.

### **Security, flexibility and austerity**

Following Crouch, a useful way of conceptualising the state’s underlying role is to think in terms of it having to manage the balance between employees’ need for security and employers’ requirements for flexibility<sup>8</sup>. Initially, the concern was to establish a stable framework within which the conduct of the employment relationship could take place. In this phase, the main emphasis was on achieving a sufficient level of security for employees – it was in doing this that effectively became ‘guarantor of the employment relationship’. From the 1980s, there has been more emphasis on employers’ requirements for flexibility, reflecting developments in globalisation discussed in previous chapters, along with the dominance of ‘neo-liberal’ thinking.

#### *‘Guarantor of the employment relationship’*

Initially, having established the conditions in which the freedom of contract could thrive, the issue was how to deal with the conflict that inevitably followed from the conduct of the

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<sup>7</sup> Heyes, J. and Nolan, P. 2009. ‘State, Capital and Labour in Crisis’, in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.107.

<sup>8</sup> Crouch, C. 2009. ‘British industrial relations: between security and flexibility’, in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons.

employment relationship. Typically, this manifested itself in crackdowns on the emergent trade unions. Relatively quickly, however, the balance of concern shifted with the state being obliged to do something about the adverse effects of the asymmetry of power in order to have a stable framework. In some cases, such as the UK, it meant factory legislation, along with slow and grudging support for trade unions and collective bargaining, coupled with the introduction of machinery for resolving disputes. In others, most notably Germany under Bismarck, a raft of social security measures was introduced in an attempt to offer employees an alternative to the increasingly influential socialist agenda.

The explanation for the about face is that an approach grounded in 'elite consumers' and 'insecure workers', to borrow Crouch's words, has major limitations<sup>9</sup>. First there are potentially 'long-term social control problems' - economic conflict may threaten the stability of the overall system. Second, a totally 'free market' risks the state incurring the 'social cost' of labour, helping to explain why minimum wage legislation is so widespread. As Chapter 2 explained, human capital can be compared to physical capital in that it requires some 'minimum on-going expenditure for upkeep, repair and depreciation if the input is to be maintained for current production and replaced for future production'<sup>10</sup>. Unlike physical capital, however, human capital is not something that employers 'own' and so there is little incentive for them to take on this responsibility. If pay falls below its social costs, therefore, it is society that has to pick up the bill, resulting in 'misallocation of resources and economic inefficiency'<sup>11</sup>. Another consideration is that some employers have wanted the state to intervene to prevent undercutting – indeed, the prevention of undercutting was one of the reasons Winston Churchill advanced in the UK in 1909 for introducing statutory minimum wages to be set by Trade Boards.

A third consideration reflects the development of a consumer society and the 'welfare state' in which the state and its agencies became a very large employer in their own right. On the face of it, developments here appear to conform to the 'pluralist' model of the state – policymakers respond to pressure from a growing working class, along with the trade unions and political parties which campaign on its behalf. It was not quite as straightforward as this, however. As Chapter 2 pointed out, a key consideration in the state becoming 'guarantor of the employment relationship'<sup>12</sup> was the need to ensure that employees would be able to achieve sufficient levels of purchasing power to be 'confident consumers'<sup>13</sup>. Indeed, sustaining consumers who generate demand and hence profitability and growth became a core element of macroeconomic policy.

Developments went furthest in Europe, with the term 'European social model' acquiring widespread currency. At the risk of over-simplification, the model was predicated upon three fundamental principles<sup>14</sup>. These were the right to work, including commitments to full

<sup>9</sup> Crouch, C. 2009. 'British industrial relations: between security and flexibility', in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.31.

<sup>10</sup> Kaufman, B. 2009. 'Promoting labour market efficiency and fairness through a legal minimum wage: the Webbs and the social cost of labour'. *British Journal of Industrial Relations*, Vol 47, No 2, pp.312-8.

<sup>11</sup> Kaufman, B. 2009. 'Promoting labour market efficiency and fairness through a legal minimum wage: the Webbs and the social cost of labour'. *British Journal of Industrial Relations*, Vol 47, No 2, pp.312-8.

<sup>12</sup> Heyes, J. and Nolan, P. 2009. 'State, Capital and Labour in Crisis', in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.106.

<sup>13</sup> Crouch, C. 2009. 'British industrial relations: between security and flexibility', in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.31.

<sup>14</sup> Visser, J. and Hemerijck, A. 1997. *'A Dutch Miracle'. Job Growth, Welfare Reform and*

employment and active employment policies; the right to social protection, involving encompassing basic social security cover for the non-working population; and the right to civilised standards in the workplace, covering issues of employment governance or regulation. Two further common features that came to be associated with the model were a relatively egalitarian wage and income distribution and a high degree of interest organisation on the part of employers and employees<sup>15</sup>. Seemingly, it represented a settlement of sorts.

The 'European social model' became the one for countries to aspire to. Thus ILO developed a list of the different forms of employment security, two being essential: income security and voice representation security. The ILO explained that the initiative was dedicated to the achievement of 'decent work' or the 'dream of helping to ensure that more people across the world find opportunities to work in dignity, for the benefit of their families, communities and themselves'<sup>16</sup>.

### *'Flexicurity'*

In the 1980s the mood changed and with it the issues that policy makers had to confront. With the increasing dominance of 'neo-liberal' thinking, the European 'social model' began to come under attack. Employment relations' links with competitiveness came to dominate policy discourse – the balance between flexibility and security, it seemed, had gone too far in favour of the latter. In Bordogna and Cella's words, employment relations became the 'villain of the piece'<sup>17</sup>, the European model being unfavourably compared to the US equivalent. At the risk of caricature, key features of the former were seen as an emphasis on employee rights introduced by collective bargaining and/or legal enactment, leading to security of employment and relatively high levels of wages and conditions. But there were downsides - inflexibility, a lack of competitiveness and high levels of unemployment. The US model was deemed to be the opposite. There may have been considerable insecurity, lower levels of wages and poorer working conditions for many, reflecting weak employee protection and 'hire-and-fire' practice. Management was much freer of the restrictions of collective bargaining and legal regulation, however, supposedly leading to greater flexibility, improved competitiveness and a much lower rate of unemployment than in Europe.

The overall context was set by the widespread shift of emphasis of macro-economic policy from the demand to the supply-side. To paraphrase Wilhagen, four main factors can be highlighted: the fast pace of international economic integration - the creation of the Single European market and the single European currency was especially important here; the rapid development of new technologies, particularly in the information and communication areas; the demographic ageing of European societies, together with relatively low average employment rates and high long-term unemployment, which put at risk the sustainability of social protection systems; and the development of segmented labour markets in many countries with both relatively protected and unprotected workers coexisting (so-called 'insiders' and 'outsiders')<sup>18</sup>.

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*Corporatism in the Netherlands*. Amsterdam: Amsterdam University Press. pp.13-4.

<sup>15</sup> Kittel, B. 2002. 'EMU, EU Enlargement, and the European Social Model: trends, challenges and questions', *MPIfG Working Paper* 02/1, February. Cologne: Max-Planck Institute. p3; Ferrara, M., Hemerjick, A. and Rhodes, M. 2000. 'The future of social Europe: recasting work and welfare in the new economy' Report for the Portuguese Presidency of the European Union. p.13.

<sup>16</sup> ILO. 2004. *Economic Security for a Better World*. Geneva, International Labour Office. p.v.

<sup>17</sup> Bordogna, L. and Cella, G-P. 1998. 'Admission, exclusion, correction: the changing role of the state in industrial relations'. *Transfer*, 5(1-2), 14-33. p.25.

<sup>18</sup> Wilhagen, T. 2008. *Mapping out flexicurity pathways in the European Union*. Flexicurity

Policy makers responded by seeking to shift the balance between the security associated with the traditional model and the greater flexibility that employers were deemed to require. In the UK, the talk was of ‘fairness and flexibility’ and finding a ‘third way’. In continental Europe, the term ‘flexicurity’, which originated in Denmark, became the watchword. Although there have been different interpretations, a broad consensus emerged about the four basic components involved:

- flexible and reliable contractual arrangements from the perspective of the employer and the employee
- comprehensive lifelong learning strategies
- effective active labour market policies
- social protection embracing unemployment benefits, pensions and healthcare<sup>19</sup>.

As previous chapters have explained, public policy put a great deal of emphasis on the ‘supply’ side of the employment relationship, reflecting the increasing dominance of ‘neo-liberal’ thinking. In many countries, there were reforms of employment protection legislation making it easier for employers to hire and fire<sup>20</sup>. As Chapter 5 outlined, there were also important changes in pensions and social security provisions, along with those of training. At sector and company levels, as Chapters 5 and 9 pointed out, there was a shift in emphasis in collective bargaining from ‘distribution’ to ‘integration’, with the agenda more and more dominated by employers.

By contrast, relatively little was done to influence the ‘demand side’ – in the language of the debate in the EU it was more about promoting ‘activation’ than ‘capability’<sup>21</sup>. The European Commission’s 1997 Green Paper, *Partnership for a New Organisation of Work*, which had advocated wide ranging changes in work organisation, was quietly forgotten. Similarly, little came of the recommendations of the Commission’s Higher Level Group report on restructuring, which included that all companies with more than 100 employees should produce a management of change report in consultation with employees and their representatives.

If anything, the situation was even bleaker in the UK. In 1997, the in-coming Labour Government agreed to incorporate the chapter in the EU Treaty. In important respects, however, little changed. Labour Governments not only consistently opposed further developments in the social dimension, including the information and consultation Directive and the inclusion of the Charter of Fundamental Rights in the EU Treaty. They also put themselves at the forefront of articulating the alternative ‘neo-liberal’ vision to the European ‘social’ model based on making labour markets ‘work’ more effectively. At home, they introduced a workplace-based statutory procedure for trade union recognition, but otherwise

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<sup>19</sup> European Commission. 2007. *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*, COM(2007) 359 final, Brussels, June. p.5; European Foundation for the Improvement of Living and Working Conditions. 2008. *Flexicurity and industrial relations*. Available at [www.eurofound.europa.eu](http://www.eurofound.europa.eu)

<sup>20</sup> OECD. 2006. *Employment outlook 2006 - Boosting Jobs and Incomes* (Chapter 7. ‘Reassessing the Role of Policies and Institutions for Labour Market Performance: A Quantitative Analysis’). Paris: OECD.

<sup>21</sup> Salais, R. and Villeneuve. R. 2005. ‘Introduction: Europe and the politics of capabilities’, in Salais, R. and Villeneuve. R. (eds). *Europe and the politics of capabilities*. Cambridge: Cambridge University Press.



did little to increase the ‘legitimacy power’ of trade unions or collective bargaining.

Even so, timing and context also continued to be fundamentally important in helping to explain unfolding developments - ideology was not everything. An excellent example is the development of the EU's social dimension and its implications for the 'juridification' of employment relations in the UK. For three decades or more, ‘neo-liberalism’ has reigned supreme in the UK, the balance of power between capital and labour changing considerably. The decline in membership and the coverage of collective bargaining meant that trade unions were no longer the pressure group they were in former times. By contrast, capital had grown considerably in influence reflecting its globalisation – policy makers, it seems, had become terrified of offending the 'markets'. Meanwhile policy responsibility for employment relations became extremely fragmented, with no single focus and few people of experience and expertise responsible for it.

Yet it is during this period that the UK experienced a vast increase in legislation dealing with employment relations. In part, as Chapter 3 explained in discussing the process of ‘juridification’, one of the great ironies is that privatisation and deregulation do not automatically bring about a reduction in the role of state as proponents expect - the uncertainty such developments bring is a potential source of conflict leading to further regulation. In part, as Chapter 4 explained in discussing the importance of ‘critical junctures’, it reflects the contested nature and timing of the introduction of the Single European Market - ‘social Europe’ was a by-product of 'economic Europe' and the relative lack of legal regulation of the employment relationship meant that UK had to play ‘catch up’. Table 10.1 gives an overview of some of the many considerations involved.

#### *Austerity*

The financial crisis that swept the world in 2008-10 heightened considerably the policy dilemma at the heart of the ‘flexicurity’ debate. The origins of the crisis, which lay in the growth in financial intermediation and the activity of the financial sector, also emphasised the fundamental nature of the problem. Wage earners were encouraged to increase their debt to maintain the standard of living, reflecting the shift in the distribution of income from labour to capital raised in Chapter 2. But reliance on ‘house price Keynesianism’<sup>22</sup> or ‘privatised Keynesianism’<sup>23</sup> was only likely to be a temporary answer as events proved it to be. It was in the housing mortgage market in the UK and the USA that the financial crisis was immediately triggered.

Arguably, the underlying problem was that the extent of the flexibility capital expected/required posed a fundamental challenge to employment relations just as the regulation approach explains. In Crouch’s words, ‘A modern market economy based on mass consumption ... requires the majority of workers to have enough sense of certainty in their economic lives to be confident consumers’<sup>24</sup>. But the developments in financial markets since the liberalisation of the 1980s made this increasingly difficult.

Adding insult to injury was that government difficulties were the result of the sovereign indebtedness incurred in helping the banks to recover. Triggering this phase of the crisis was

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<sup>22</sup> Crouch, C. 2008. ‘What will follow the demise of privatised Keynesianism?’. *The Political Quarterly*, Vol 79, No 4, 476-87.

<sup>23</sup> Hay, C., Riiheläinen, J.M., Smith, M.J. and Watson, M. 2008. ‘Ireland: the outside inside’, in Dyson, K. (ed) *The Euro at 10: Europeanisation, power and convergence*. Oxford: Oxford University Press.

<sup>24</sup> Crouch, C. 2009. ‘British industrial relations: between security and flexibility’, in T. Colling and M. Terry (eds) *Industrial Relations Theory and Practice*. Chichester: John Wiley & Sons. p.31.

the situation in Greece and other Eurozone countries in 2010. The whole basis of public finances came to be questioned, with austerity measures being introduced in country after country to cut budget deficits and appease the bond markets. In effect, critics said, governments were asked to accept the ‘privatisation of gains’ and the ‘socialisation of losses’<sup>25</sup>.

Initially, there was some recognition of the wider issues involved, with questions being asked about the supremacy of politics or ‘the markets’. In continental European countries especially, it was widely recognised that the crisis represented a fundamental threat to the ‘European social model’.

By 2013, in Krugman's words, 'austere doctrine was in ignominious retreat in most of the world' and yet continued to enjoy support in the UK<sup>26</sup>. He gives three reasons. First, the public did not understand the rationale for deficit spending - it tended to think of the government budget in terms of family finances. Second, the crisis occurred on Labour's watch, resulting in a 'limp' response, accepting claims that budget deficits were the biggest economic issue facing the country, and scarcely challenging the proposition that fiscal policy since 1997 had been deeply irresponsible.

The third reason was that austerity had an underlying agenda: to reduce the overall size of government and especially spending on social insurance. Krugman quotes the [Telegraph](#) in 2013: The ‘primary purpose’ of austerity ‘is to shrink the size of government spending’; or, as Prime Minister Cameron put it in a [speech](#) later that year, to make the state ‘leaner ... not just now, but permanently’.

In 2018 [Philip Alston](#), the UN special rapporteur on extreme poverty and human rights, summarised the impact of austerity like this:

Although the United Kingdom is the world's fifth largest economy, one fifth of its population (14 million people) live in poverty and 1.5 million of them experienced destitution in 2017. Policies of austerity introduced in 2010 continue largely unabated, despite the tragic social consequences ...

The social safety net has been badly damaged by drastic cuts to local authorities' budgets, which have eliminated many social services, reduced policing services, closed libraries in record numbers, shrunk community and youth centres and sold off public spaces and buildings. The bottom line is that much of the glue that has held British society together since the Second World War has been deliberately removed and replaced with a harsh and uncaring ethos. A booming economy, high employment and a budget surplus have not reversed austerity, a policy pursued more as an ideological than an economic agenda.

### **The ‘new social contract’ agenda**

As Chapter 2 observed, international bodies like the UN were expressing concerns about the implications of increasing inequality at the beginning of the millennium. These concerns have been growing ever since. Even before the coronavirus pandemic, there was a widespread consensus that the No 1 public policy issue was inequality and the need for a new

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<sup>25</sup> Taleb, N. 2009. ‘10 principles for a Black Swan-free economy’. Available at FT.com.

<sup>26</sup> P. Krugman. 2015. ‘The austerity delusion. The case for cuts was a lie. Why does Britain still believe it? [The Guardian](#), 29 April.

social contract to deal with it. The sentiment is to be found in the publications of international organisations such as the [European Commission](#), the [IMF](#), the [United Nations](#) and the [World Bank](#), along with the [TUC](#), [ETUC](#), [ILO](#) and [International Trade Union Confederation](#). Newspapers and magazines like [The Financial Times](#) and [Tribune](#) have devoted considerable space to the idea as have consultancies like [McKinsey](#) and campaign charities such as the [Mental Health Foundation](#) and the [Royal Society of Arts](#).

Especially worrying for many commentators are the political as well as economic implications of inequality. In the words of [The World Bank](#) (p.1),

More people are either voting for populist parties that promise to get rid of current policies and establish a new social order, or they are not voting at all. Separatist movements are on the rise, while trust in political institutions is on the decline.

The starting point, to continue with the World Bank, is a failure to resolve the growing imbalance between the distribution of income generated by the market and the policy response to individual desires about equity. The main types of distributional inequalities have already been identified in Chapter 2, namely, occupation, gender location, generational and opportunity, reflecting the increasingly financed nature of competition and spread of automation and digitalisation. Fueling resentment is the knowledge that, while many people experienced a decline in real incomes in the past decade, others benefited for no good reason.

As for what to do, many commentators say the temptation to curb globalised economic activities or technological innovation must be resisted. Similarly, there is no overt support for what might be termed the 'authoritarian' or 'state' capitalism associated with China, Russia and, increasingly, Hungary: some worry, though, it might be the default option. Rather the focus is on adapting key institutions to equip them to handle the emerging distributional tensions. Reflecting the earlier discussion, most recognise that the small-state approach associated with 'neoliberalism' has run its course: the key role is envisaged for government because markets cannot reduce the material inequalities unaided.

Discussion of the many proposals is organized around four main themes: progressive taxation, citizens' rights, responsible business models and civic engagement. The aim is to give an idea of the thinking going on as well as information about the main proposals on the table. It might be thought that this takes us a long way from employment relations. And yet it is indicative of how important they are and gives us an idea of their role in the future.

### *Progressive taxation*

There is a need to expand the tax base, it is widely accepted, to raise tax rates on top earners, and implement more progressive taxation targeting not just earnings but also capital income and wealth (for example, inheritance or bequests). Not only are tax systems seen as a major source of inequality - according to the OECD, almost everywhere there has been a decline in the rates of the corporation and capital-gains taxes that fall on the wealthy, combined with an increase in tax-avoidance measures mainly favouring them, against increases in the income, value-added and other taxes falling on the mass of the population<sup>27</sup>. Expanding the tax base is also a prerequisite for changes elsewhere - there will not be the resources otherwise.

Further possibilities depend on international agreement. One is the [EU](#) proposal for a financial-transactions tax, which would not only reduce the incentive of investors to make

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<sup>27</sup> OECD, 2011, *Divided We Stand: Why Inequality Keeps Rising* referenced in C. Crouch. 2020. [Social Europe - a manifesto](#).

large numbers of high-speed transactions but also contribute to funding social-policy and public projects. Another is the [OECD's](#) proposal to change the basis of taxation, from national headquarters chosen to minimise tax to location of sales to deal with the global 'super star' internet companies like Apple, Facebook and Google and also platform-based giants such as Amazon. 'It's a matter of fairness', says [The Financial Times](#).

*Citizens' rights rather than workers' rights?*

Employment is likely to continue to be a core activity. Already around 40% of the workforce is reckoned to work in the foundational economy providing essential every-day services - a proportion that is likely to increase. The assumption that jobs will be as plentiful as they have been in a post-industrial economy, though, especially with technology making it possible to further expand regional and global labour markets, is questionable<sup>28</sup>: home working during the coronavirus pandemic has shown that a fixed workplace is not as necessary for as many jobs as assumed. The future of the hitherto dominant male-breadwinner model similarly looks uncertain.

In these circumstances, there is a consensus about the need to reduce the labor market segmentation arising from proliferation in alternate types of employment contracts. Several measures have already been touched in Chapter. One is the 'grey zone' between employment and self-employment. In the UK, current definitions of 'employed' and 'self-employed' are likely to be brought into line with HMRC arrangements, with tax and benefits equalised as much as possible. The current distinction between 'employee' and 'worker' may also go with everyone who is 'employed' entitled to a contract.

A second issue is platform working. Along with national *minimum wage setting* and mandatory due diligence (more of which below), one of Germany's three priorities during its EU presidency in the second half of 2020 was to tackle the gap in the platform economy. In the words of the [EU Jobs and Social Rights Commissioner](#), 'Platform economy workers should have the same social rights as other employees, including a right to collective bargaining'.

More problematic are the extreme forms of casualisation. Not only do individuals suffer. The 'highly perverse fiscal and regulatory incentives' risk undermining the tax base as well encouraging other firms to follow suit.

There are several pointers to a shift in emphasis from employment to citizenship with an emphasis on entitlements rather than welfare handouts - to put it another way, in Benanav's words<sup>29</sup>, 'People need security that is not tied to their job'. First of all, there is the EU Social Pillar. Its twenty principles will be found in Table 10.2. As will be seen, relatively few are concerned with worker's rights as such.

Another consistent straw in the wind is the shift in emphasis from the contract of employment to a contract for work that Dukes recommends<sup>30</sup>. Concentrating on the 'use of labour', Crouch suggests in his 2020 [Social Europe - A Manifesto](#), addresses the erosion of the sharp distinction between dependent employment and self-employment embodied in much labour and social-insurance law and practice. He goes on to suggest that 'users of

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<sup>28</sup> For an overview of the literature dealing with the future of work, see A. Wilkinson and M. Barry. 2020. 'Understanding the future of work' in A. Wilkinson and M. Barry (eds). [The future of work and employment](#). Edward Elgar.

<sup>29</sup> A. Benanav. 2020. 'Why Uber's business model is ultimately doomed'. *The Guardian*, 25 August.

<sup>30</sup> R. Dukes. 2019. 'The Economic Sociology of Labour'. *Law*. *Journal of Law and Society*, 46 (3) 396-422.

labour services' above a size threshold should be required to make social-insurance payments based on the numbers of hours of labour service used. charges remitted if they accepted obligations such as a full employment contract containing all mutual obligations of an employment contract

Changing employment patterns are likewise leading to calls to reinvigorate active labour market policies. For example, as several reports have suggested, there might be permanent provision for short-time working with inbuilt improved assistance in the search for work and training. Another possibility is a public works programme involving some form of job guarantee as the [TUC](#) has recommended. There might also be additional support for vocational training, including personal learning training accounts as the [Royal Society of Arts](#) proposes and government funding for small start-up businesses<sup>31</sup>. There might also be a reduction in working time as some trade unions are campaigning for<sup>32</sup> - perhaps as a component of more flexible annual hours arrangements.

There is support, too, for the decoupling of *social insurance* from employment. The World Bank, for example, suggests that insurance dealing with unemployment, ill health, disability, work-related injury and old age and other shocks that could drive households might be provided directly by government in conjunction with income support for all people in need as part of a guaranteed minimum poverty prevention package. This minimum package could cover everyone and would be financed through general tax revenue, rather than relying on employment relationships and mandatory pay-roll contributions. In a dynamic labor market, such an insurance scheme could encourage people to seek out and take on better jobs without fear of losing coverage.

Also under the spotlight is the third leg of social protection, namely *social assistance* designed to vulnerable individuals or households. Here there are several intense and ongoing debates. One revolves around the advantages and disadvantages of income-based and universal approaches. Income-based or means testing arrangements enable targeting the people most in need. Complex eligibility rules, stigma effects, a lack of knowledge among potential beneficiaries, and the administrative burden of delivering and receiving the benefits, however, may leave many people unprotected. At first sight, some form of 'citizen's' or 'universal basic income' (UBI) could provide broader protection and security through greater coverage and take-up. Parenting and caring would also be included. Here, as well as the fiscal burden, there worries about adverse effects on the other features of social protection - a UBI would replace just some existing benefits paid out in cash such as universal credit. Much better, say critics, to make provision for collective services rather than individual consumption.

There is also a debate about 'conditionality'. A 'citizen's income' could be unconditional as in the case of most UBI proposals<sup>33</sup>. Or, following [Atkinson](#), it could be dependent on 'participation', i.e. engaging in socially useful activities, which could be caring and parenting as well as volunteering.

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<sup>31</sup> Eduardo Levy Yeyati, Martín Montané, Luca Sartorio. 2019. [Understanding what works for active labour market policies](#).

<sup>32</sup> In the UK Autonomy's [The shorter working week](#) and the New Economic Foundation's [Making up for lost time](#) are examples. See also Lord Skidelsky's [How to achieve shorter working hours](#). In Germany [IG Metall](#) is seeking a 4-day week to save jobs as part of the 2020 contract negotiations covering the metalworking sector.

<sup>33</sup> The [Basic Income Network](#) outlines the history of the UBI idea, which goes back to renaissance times. For recent experiments, see the [World Economic Forum](#)'s review.

As the EU's Social Pillar confirms, there is also increasing recognition of the importance of quality services and the logic of seeing them as a form of social investment as well as a universal right. The point can best be made by drawing attention to the difference between the two main types of household expenditure: discretionary and essential. Examples of the first might be spending on holidays or eating out and of the second, *material* services like utilities, food and banking and the *providential*, embracing care, education and training, housing and health. Since the millennium, discretionary goods have become relatively cheaper, but essential services more expensive. Universal provision of these services, says the World Bank, could represent great progress in ensuring equal opportunity for all.

For example, according to [McKinsey's](#) *The social contract in the 21st century*, housing costs, which make up around 25% of expenditure, have risen almost 40% in the USA and Europe. In the UK, report Citizens's Advice and the Resolution Foundation, the rental sector is especially in need of reform, reflecting tenure changes, lack of social house building and insufficient regulation of private renting. A housing future that works already exists, suggests the [Foundational economy collective](#), or is on the political agenda in cities like Berlin. 'Governments in association with regulated not-for-profit and tenant groups need to take responsibility for the availability of social housing which offers quality de-carbonised homes with security of tenure at rents geared to local wage levels'.

### *Socially responsible business models*

Many commentators argue that businesses must be more socially responsible. In the words of an 'opinion' piece on [Open Democracy](#), 'The lessons from both the global economic crisis of 2008 and the COVID-19 pandemic are that our dominant business model is unsustainable and must be transformed'. As well as the importance of climate change, the authors go on to stress the relevance of the values and standards of the [UN Guiding Principles for Business and Human Rights](#), emphasising corporate due diligence, workers' rights, and social protection and pointing the way to 'a more resilient and inclusive future for global markets'.

Here, as Chapter 3 has suggested, movement is to be expected. *Human rights and decent work in global supply chains* is the third of the social priorities for the German EU Presidency in 2020. [The EU Jobs and Social Rights Commissioner](#) has emphasised that the coronavirus crisis has not only shed public light on the global nature of supply chains - revealing their vulnerability and Europe's dependence in the case of essential goods. It has also highlighted the need for decent labour standards. He talks of complementing 'our plan to reinforce the EU's unique brand of responsible global leadership by promoting international labour standards as part of a rules-based global order'.

The [German Minister of Labour and Social Affairs](#) is also giving his full backing:

Such an EU-wide standard would prevent human rights abuses in supply chains, create a level playing field and provide legal and operational certainty for our European businesses. Consumers in Europe will be able to be sure that their products have been produced fairly and sustainably. And it will help workers and manufacturers outside Europe by improving their working and living conditions.

It might also be expected that there will be moves to deal with the weaknesses that coronavirus revealed in the model of many *foundational economy* businesses. Essential services, to paraphrase the [Foundational Economy Collective](#), were shown to be unsuited to marketable provision - be it private/outsourced or publicly-owned. Lack of investment and

private sector notions of efficiency, such as no slack in the system, sit uneasily with the need for resilience and capacity to deal with the unexpected. Widespread agency working also proved to have tragic consequences for care home residents. Overall, the philosophy underlying the ‘virtual’ or ‘enabling’ authority mode model discussed in Chapter 3, that private sector organizations can provide public services more effectively and efficiently than their public sector counterparts, has been called into serious question - the ordering of personal protection equipment and the operation of critically important track and trace systems in the UK being just two examples.

A related issue is how to evaluate the contribution of the key workers employed in providing everyday services. Because, along with doctors, nurses and their health service colleagues, it was workers in sectors such as care, retail, distribution and warehousing, passenger transport, postal services and refuse collection who emerged as indispensable in keeping things going during the lockdown. And yet, despite being responsible for delivering essential services, many of these ‘foundational economy’ workers are low paid and have little or no security.

Mandatory due diligence will help to improve supply chain governance as will the social licensing the [Foundational Economy Collective](#) argues for, i.e. requiring businesses benefiting from national and local government contracts delivering life's everyday necessities to fulfil a number of social obligations in return. One simple measure, though, would be to bring services back in house. Care is the most obvious case - leaving it in the hands of private equity groups, whose primary purpose is to maximize the rate of investment return depending on debt financing and other money making devices, beggars most people's belief. Above NMW pay awards is another.

Arguably, though, as Crouch confirms in his 2020 [Social Europe - A Manifesto](#), financialisation remains the elephant in the room. As the 2010 edition of the text emphasised, *regulating financialization* was a major issue ten years ago. As well as reforms to banking, a raft of proposals was canvassed at the time of the financial crisis. They included more stringent controls over the activities of hedge funds and alternative investment fund managers such as private equity companies, along with practices such as 'short-selling' and ‘leveraged buy-outs’; a short-term capital gains tax for shareholders who took early profits from selling their shares; making takeovers subject to more stringent criteria so that the opportunity for unlocking short-run shareholder value was more difficult; putting a stop to ‘leveraged’ takeovers – the emphasis on equity rather than debt; stripping short-term holders of voting rights and raising the acceptance level required for takeovers; and proposals to allow a ‘public interest’ defence in the event of hostile takeovers. There was even the beginnings of a serious debate about how to shift the balance from 'shareholder value' to 'shared value', i.e. *more investment* in people, capital equipment and R&D and *less extraction* by executive pay, dividends and takeover windfalls.

Ten years on, apart from reforms to banking, very little has changed. One of [The Financial Times](#) series articles dealing with the new social contract reminds us that more and more companies have resorted to debt, despite the crisis of 2008-10 prompting concern about excessive financial engineering. Contributors to the 2020 [Routledge International Handbook of Financialization](#) also explore some of the ways coronavirus could transform capitalism – and suggest it could for better or for worse.

The British Academy's [Future of the Corporation](#) initiative could make a difference. The goal is the 'purposeful business' - putting purposes before profit - which would take us away from the ‘financial’ or ‘financialised’ model’ of the firm. In the approach and language of the consultant handbook, there is also a set of principles dealing with matters such as governance, finance, performance, measurement etc, along with an 'eco-system of pathways

to change'. At the time of writing, however, the initiative was in an 'events' stage, many of them to be held virtually, to 'demonstrate the case for change' and 'generate new ideas for reshaping business around the principles for purposeful business'.

*Trade unions, collective bargaining and social dialogue*

In discussing the lessons of the Scandinavian countries' social-democratic experience, the [International Panel on Social Progress](#) stresses that a strong social safety net and universality of access are only a part of the formula. Empowering people involves developing and weaving participatory mechanisms at all levels and in both economic organizations and in political institutions. It has to put people in a position to have a say in important aspects of their lives.

Similarly, Stiglitz argues in the [Roosevelt Working Paper](#) cited earlier, because good governance is a public good, society must promote civic engagement to ensure a system of checks and balances as well as transparency and accountability. Otherwise, 'The voice of the wealthy will predominate both public choices ... and in the setting of the rules of the game'. Such engagement occurs not just through national governments, however, but a host of institutional arrangements, some government (local governments) and some civil society. 'These are the means by which 'voice' of various groups within society can get injected into the political process' (p.16).

As Chapter 2 suggested in considering the OECD's very positive judgment, trade unions are one of the most important of these groups. Coats puts the argument most forcibly. Democracy, he argues, 'is about more than periodic elections on a one-person-one-vote universal franchise ... Citizenship has to be learned. It depends on discussion, debate, the assessment of alternative points of view, a democratic decision by majority vote and a willingness by the losers to live with the outcome'<sup>34</sup>. It is here that membership of trade unions and involvement in collective bargaining is to be seen as fundamentally important. 'If worker voice institutions are weak', says Coats' 'then the public domain is weakened. If the public domain is weakened then the quality of our democracy is diminished'.

In the UK, one issue is whether the restoration of sector bargaining might be on the cards as the [Institute of Employment Rights](#) and [Tribune](#) have recommended. As Chapter 2, remarked, sector bargaining has advantages: collective agreements at this level are inclusive in coverage, benefit the unorganized as well as the organized; and offer a flexible alternative to legal regulation - arrangements can be tailored to particular circumstances. A further benefit is they help to ensure an intermediary role for employers' organisations as well as trade unions, which is important for links with individual businesses.

The problem is that, in the UK, organisation on both sides is weak or non-existent in many sectors - above all in hospitality, retail and social care where it is most needed. Arguably, too, there will not be much scope for increasing wages in these sectors above and beyond the level of the National Living Wage. The same is true of other significant basic employment rights: there is also an urgent need to extend these to all employees as quickly as possible.

Social dialogue, however, is a serious possibility. Indeed, the [Scottish](#) and [Welsh](#) governments have already taken advantage of another institutional development that

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<sup>34</sup> D. Coats. 2004. *Speaking Up! Voice, Industrial Democracy and Organisational Performance*. London: The Work Foundation.



commentators see as important in promoting civic engagement, namely devolution<sup>35</sup>. In 2015 the Scottish Government made the most of their devolved status to set up an independent representative *Fair Work Convention*. Its Welsh counterpart is legislating for a *Social Partnership Council*. Both are also experimenting or proposing to experiment with sector forums involving trade unions and employer's organisations in social care<sup>36</sup>. It remains to be seen if the UK government follows suit and builds on its initiative in bringing the CBI and TUC together to help develop its job retention arrangements. Its commitment in the [Queen's Speech](#) of December 2019 to protect and enhance workers rights after Brexit offers an excellent opportunity to introduce a social partnership body to make recommendations.

### **Concluding remarks**

It might be thought that the discussion here takes us a long way from employment relations. In many respects it does. But, in doing so, it demonstrates how important employment relations remains for discussions about macroeconomic performance as well as living standards and inequality. It also gives a flavour of the unfolding developments likely to influence employment relations.

As to whether any of the changes flagged up here come about, the jury remains out. The years following World War 2 suggest they might. But the aftermath of the 2008-10 financial crisis prompts a more negative conclusion. It is difficult to disagree, however, that the small state approach has run its course, despite the support it continues to enjoy in much of the UK Conservative Party: the market cannot handle the instabilities arising from the increasing distributional tensions on its own. More difficult to say is whether there will be a revised social democratic state or a more populist nationalistic one.

Also clear, either way, is that the UK will continue to be influenced by social policy developments in the EU after Brexit whether or not there is a trade deal by the end of 2020. If the EU regulates supply chains, for example, UK companies wanting to trade in Europe will inevitably be caught up whatever the outcome of arguments over a 'level playing field'. Similarly, developments putting flesh on the EU's Social Pillar principles are likely to have a strong influence.

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<sup>35</sup> In a recent leader discussing the UK government's levelling up agenda, the [Economist](#) suggests that the 'trick' is to relinquish control: more devolved systems tend to be more equal, it argues, probably because public services are more efficient when run by those who use them. To make it more independent, the article goes on, metropolitan government should be given greater power over local property taxes, business rates and, within strict limits to avoid tax competition, income taxes.

<sup>36</sup> See the Scottish Fair Work Convention's [Fair work in Scotland's social care sector 2019](#). p.37 and the Welsh Government. 2019. [Fair Work Wales. Report of the Fair Work Commission](#). p.61. See also E. Heery, D. Hann and D. Nash. 2020. 'Political devolution and employment relations: the case of the Living Wage'. *Industrial Relations Journal*, <https://doi.org/10.1111/irj.12306>.

**Table 10.1 How ‘economic’ Europe contributed to ‘juridification’<sup>37</sup>**

There are two main views about the reasons for what has been described as a ‘fundamental asymmetry’<sup>38</sup> between the economic and social dimension of European integration<sup>39</sup>. One sees the asymmetry as flowing from the essentially economic nature of European integration: in Delors’ words ‘L’Europe de la nécessité’ rather than ‘L’Europe de l’idéal’<sup>40</sup>. A second view contends that economic integration was ‘deliberately underdeveloped’<sup>41</sup>. For the monetary authorities and employers’ organisations especially, a process of market-led harmonisation was precisely what was attractive about EMU’s construction. It would be impossible as well as undesirable to regulate social policies at supranational level. To remain competitive, however, countries would have to restructure their domestic economies in order to get rid of inefficiencies in their national welfare states and labour markets.

Trade unions and their political allies were well aware of this thinking. There were worries that ‘economic Europe’ would deliver a ‘nightmare’ rather than a ‘dream’<sup>42</sup>; that the European Central Bank, in seeking to fulfil its remit to maintain price stability, might set an unduly restrictive monetary policy thereby triggering deflation. If so, the burden of the subsequent adjustment would fall on wages and employment along with social protection systems. The same would hold in the face of asymmetric shocks, given the absence under EMU of the adjustment mechanisms available in other currency zones. Much as they have during the global financial crisis, governments would have to squeeze public expenditure, including that on social protection, while employers and trade unions would come under pressure to reduce labour costs in exchange for sustaining employment.

Even so, most trade unions supported the EMU project. Alongside interests in the economic benefits, Foden identifies two main considerations. One might be labelled ‘the Europeanisation of economic policy making’. Individually, Euro zone countries would find it difficult to take action to promote the expansion of their domestic economies to create jobs – ‘Keynesianism’ was no longer possible in one country, it was argued, whereas the prospects looked much brighter if Europe became more of an entity. The other lay in the possibility of exerting influence over the wider political agenda: ‘In essence, the ETUC has been a supporter of, and in part, an actor in, the strategy of building ‘economic Europe’ as a means of promoting ‘political Europe’, and in particular, social Europe’<sup>43</sup>. ‘Political’ and ‘social’

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<sup>37</sup> For further details, see Marginson, P. and Sisson, K. 2004. *European integration and industrial relations. Multi-level governance in the making*. Basingstoke: Palgrave. Chapter 1.

<sup>38</sup> Scharpf, F. 2002. ‘The European Social Model: coping with the challenges of diversity’. *Journal of Common Market Studies* 40 (4), p.665.

<sup>39</sup> Pakashlati, J. 1998. ‘EMU and Social Protection in the European Union’, in Pochet, P. and Van Hercke, B. (eds) *Social Challenges of Economic and Monetary Union*. Brussels: European Interuniversity Press. pp.48-56.

<sup>40</sup> Venturini, P. 1998. ‘The prospects for European Social policy: some reflections’, in P. Pochet and B. Vanhercke (eds) *Social challenges of Economic and Monetary Union*. Brussels: European Interuniversity Press. p.115.

<sup>41</sup> Pochet, P. 1998. ‘The Social Consequences of EMU: An Overview of National Debates’, in Pochet, P. and Van Hercke, B. (eds) *Social Challenges of Economic and Monetary Union*. Brussels: European Interuniversity Press. p.69.

<sup>42</sup> Bouget, D. 1998. ‘Social policy in the EMU area: between a dream and a nightmare’. *Transfer*, 4(1), 67-87.

<sup>43</sup> Foden, D. 1998. ‘Trade union proposals towards EMU’. *Transfer*, 4(1). p.92.

Europe, in other words, were expected to be ‘spill-over’ effects of ‘economic’ Europe<sup>44</sup>.

In the event, the outcome was an uneasy compromise: there was more ‘social’ Europe than many employers would have liked, but much less than the ETUC wanted. But for the UK, which was in a unique position because of the tradition of ‘voluntarism’, even the codification and extension of measures already available in most other countries meant that the so-called *acquis* touched on virtually every area of employment relations other than association, industrial action and wage determination. Listing only those areas where there has been major UK legislation gives us freedom of movement of workers; equal opportunities in terms of age, disability, gender, race, religion and sexual orientation; health and safety; collective redundancy and business transfers; working time; the proof of employment; information and consultation – both national and cross-national; maternity and parental leave; equal treatment for part-time and temporary workers (with agency workers to come); pensions; employment agencies; data protection and corporate governance. Policy makers in other countries might have been opposed to the advanced social model that the ETUC was seeking, but they were not prepared to allow the UK to benefit from its inferior employment protection. As well as the free movement of labour, a single market and a single currency needed a level playing field in areas such as working time, health and safety, and so on.

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<sup>44</sup> Falkner, G. 1998. *EU Social Policy in the 1990s* London: Routledge.

## **Table 10.2 The EU Pillar of Social Rights**

The [EU Pillar of Social Rights](#) is about delivering new and more effective rights for citizens. It builds upon 20 key principles, structured around three categories: equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion

### Chapter I: Equal opportunities and access to the labour market

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#### 1. Education, training and life-long learning

Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market.

#### 2. Gender equality

Equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression.

Women and men have the right to equal pay for work of equal value.

#### 3. Equal opportunities

Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.

#### 4. Active support to employment

Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job search, training and re-qualification. Everyone has the right to transfer social protection and training entitlements during professional transitions.

Young people have the right to continued education, apprenticeship, traineeship or a job offer of good standing within 4 months of becoming unemployed or leaving education.

People unemployed have the right to personalised, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment at the latest at 18 months of unemployment.

### Chapter II: Fair working conditions

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#### 5. Secure and adaptable employment

Regardless of the type and duration of the employment relationship, workers have the right to fair and equal treatment regarding working conditions, access to social protection and training. The transition towards open-ended forms of employment shall be fostered.

In accordance with legislation and collective agreements, the necessary flexibility for employers to adapt swiftly to changes in the economic context shall be ensured.

Innovative forms of work that ensure quality working conditions shall be fostered. Entrepreneurship and self-employment shall be encouraged. Occupational mobility shall be facilitated.

Employment relationships that lead to precarious working conditions shall be prevented, including by prohibiting abuse of atypical contracts. Any probation period should be of reasonable duration.

## 6. Wages

Workers have the right to fair wages that provide for a decent standard of living.

Adequate minimum wages shall be ensured, in a way that provides for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented.

All wages shall be set in a transparent and predictable way according to national practices and respecting the autonomy of the social partners.

## 7. Information about employment conditions and protection in case of dismissals

Workers have the right to be informed in writing at the start of employment about their rights and obligations resulting from the employment relationship, including on probation period.

Prior to any dismissal, workers have the right to be informed of the reasons and be granted a reasonable period of notice. They have the right to access to effective and impartial dispute resolution and, in case of unjustified dismissal, a right to redress, including adequate compensation.

## 8. Social dialogue and involvement of workers

The social partners shall be consulted on the design and implementation of economic, employment and social policies according to national practices. They shall be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action. Where appropriate, agreements concluded between the social partners shall be implemented at the level of the Union and its Member States.

Workers or their representatives have the right to be informed and consulted in good time on matters relevant to them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies.

Support for increased capacity of social partners to promote social dialogue shall be encouraged.

## 9. Work-life balance

Parents and people with caring responsibilities have the right to suitable leave, flexible working arrangements and access to care services. Women and men shall have equal access to special leaves of absence in order to fulfil their caring responsibilities and be encouraged to use them in a balanced way.

## 10. Healthy, safe and well-adapted work environment and data protection

Workers have the right to a high level of protection of their health and safety at work.

Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market.

Workers have the right to have their personal data protected in the employment context.

### Chapter III: Social protection and inclusion

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#### 11. Childcare and support to children

Children have the right to affordable early childhood education and care of good quality.

Children have the right to protection from poverty. Children from disadvantaged backgrounds have their right to specific measures to enhance equal opportunities.

#### 12. Social protection

Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.

#### 13. Unemployment benefits

The unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment.

#### 14. Minimum income

Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.

#### 15. Old age income and pensions

Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income. Women and men shall have equal opportunities to acquire pension rights. Everyone in old age has the right to resources that ensure living in dignity.

#### 16. Health care

Everyone has the right to timely access to affordable, preventive and curative health care of good quality.

#### 17. Inclusion of people with disabilities

People with disabilities have the right to income support that ensures living in dignity, services that enable them to participate in the labour market and in society, and a work environment adapted to their needs.

#### 18. Long-term care

Everyone has the right to affordable long-term care services of good quality, in particular home-care and community-based services.

19. Housing and assistance for the homeless

- a. Access to social housing or housing assistance of good quality shall be provided for those in need.
- b. Vulnerable people have the right to appropriate assistance and protection against forced eviction.
- c. Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion.

20. Access to essential services

Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.