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The Globalized Economy: An End to the Age of Industrial Citizenship?

Abstract

Globalization (the extension of a single interlinked set of markets and firms across the world) has important implications for industrial citizenship (the acquisition by employees of rights which go beyond, and are secured by forces external to, those obtained through the labour market) because through it firms enter an arena where there are no effective institutions that can sustain such a citizenship. The impact of this is however moderated by the limited nature of the direct effects of globalization. Its indirect effects, which ironically fall on sectors which are not externally traded, are considerably greater. However, even these are not purely exogenous constraints but are subject to political modification.

'Globalization' and 'industrial citizenship'

I must begin with a definition of terms. I understand *globalization* to refer to the extension of a single interlinked set of markets and organizations for the production and delivery of goods, services, finance and to some extent labour across the entire inhabited world. The term refers to a process (the usual meaning of the suffix '-ization' or '-isatie'), so the fact that some parts of the world are as yet relatively untouched by it does not constitute a criticism of the concept. I insist on using the clumsy term 'markets and organizations for the production and delivery...', rather than the simpler 'markets for...', because I believe that it is a fundamental (though frequent) mistake to place the emphasis on markets alone. The extension of economic relations across large geographical distances is extremely difficult and can rarely be achieved without extensive organizational resources. The only markets that can truly be said to operate globally are those which have large transnational corporations at their centre. Sometimes even these firms are not large enough to execute the task, and increasingly form strategic alliances among themselves in order to carry out the processes of research and development, production, sales and support services on a global (rather than simply cross-national) scale. These firms and groups of firms may often be in intense competition, but they are not actors within pure markets. This fact some important implications to which we shall return.

I use the term '*industrial citizenship* ' to refer to the acquisition by employees of rights within the employment relationship, rights which go beyond, and are secured by forces external to, the position which employees are able to win purely through labour market forces. Perhaps in a post-industrial world one ought to say 'occupational citizenship'. These rights cover such matters as: individual rights to a safe and healthy working environment, to protection from arbitrary managerial action, to certain entitlements to free time; guarantees of some protection of standard of living in the case of inability to work, as a result of loss of employment, poor health or old age; and collective rights to representation by autonomous organizations in relations between employees and employers.

I include the term 'rights which go beyond, and are secured by forces external to, the position which employees are able to win purely through labour market forces' because of the importance to the citizenship concept of the idea of an external guarantee. For example, it is quite possible for employees to be offered generous sickness and retirement insurance as elements of their employment contract package. Such elements have developed as employers have found them necessary to recruit and retain staff. They are therefore likely to rise and decline in value as the labour market changes, and the guarantee of their delivery depends only on the market exchange. Citizenship implies something that is guaranteed by virtue of membership of the wider society. This is different from benefits from a market exchange specific to an individual firm, which (unless they have been collectively negotiated) can be changed by unilateral employer action. It is entirely possible for advantages secured through the labour market to be superior to those externally guaranteed by government policy, collective bargaining or some other procedure. This is not the point; at issue is the question of the character of the entitlement. I shall use the term 'industrial (or occupational) citizenship' with this meaning throughout the rest of the paper.

It is not necessary to approach this discussion normatively. Whether one regards industrial citizenship as a good, or as a hindrance to free trade, or as something worth exchanging for improved consumer rights, or as inferior to benefits that can be achieved from employers is a separate debate. The task in hand is whether globalization of the economy undermines this form of citizenship, irrespective of whether one would evaluate such an outcome positively or negatively.

The grounds for hypothesizing that globalization will threaten industrial citizenship are as follows. The central actors in globalization are large corporations. These have demonstrated their capacity, using both organizational and market resources, to extend their activities across the world with speed and flexibility, developing both their own internal forms of regulation and regulations taking the form of private treaties between firms. By comparison, modes of regulation achieved by political authorities or organizations engaged in collective regulation of the labour market – the two predominant sources of occupational citizenship rights – are far slower and harder to establish. It is therefore very difficult for these other actors to extend their scope over the activities of the global firms. Put another way, through the medium of its organizations, capital is able to be a strategic actor at a global level in a way that organizations that are potential guarantors of citizenship rights find it difficult to achieve.

Firms are unlikely to use their strategic capacity to introduce rules of industrial citizenship themselves; they may well introduce human resource management policies that cover similar ground to citizenship rules, for the reasons indicated above; but it is almost impossible for them to introduce the *external* guarantees of rights necessary to the citizenship concept. Even if they could do this, they are in practice unlikely to do so at the present time. An important characteristic of the current stage of globalization is a relative scarcity of capital in relation to labour. Globally mobile capital originates from relatively few places in the world – North America, Western Europe, Japan and a small number of other locations in East Asia and Australasia – and is highly mobile. Labour is abundant, found everywhere, and has far more limited capacity to move geographically in search of better opportunities. This means that, overall and with many exceptions in individual capital and labour markets, capital is in a position of strength in its relationship with labour, since it has easier access to a wider range of alternatives to any particular capital/ labour relationship.

By derivation, this strength extends to capital's relationship to political structures. This works in the following way. States always possess a population, which is relatively immobile; states do not necessarily have easy access to capital, which in a globalizing world is in any case mobile. They cannot ensure the employment of their population unless they can attract and secure capital. States therefore have a greater dependence on capital than on labour.This imbalance is reinforced rather than weakened in the case of democratic states highly responsive to their populations, because that responsiveness places a premium on capacity to provide employment, which primarily depends on the activities of firms. (There are a few exceptions to these generalizations: some Middle East oil states have small populations and an abundance of capital; East Germany eventually proved to be a state with a highly mobile population. But these are exceptional cases indeed.)

This it seems to me is the correct way to define the problem of the implications of globalization for industrial citizenship: at an abstract level in terms of the superior mobility of capital in comparison with labour, or with political and other organizational forces. One should not define it immediately in terms of the opportunities of capital to move to low-wage economies in the third world. That may be an empirical manifestation of the process, but it does not define it. This difference is important for at least two reasons. First, in any given case, before we know that such a case of third-world competition exists, we need to establish that a relevant relative scarcity of capital exists. Second, cases of relevant relative scarcity of capital will not necessarily be limited to those involving third-world countries.

In the following discussion I shall move from the simplest and most direct implications to more complex ones. In so doing I shall at times be appraising the actions that are or might be taken by various interests in responses to the challenges presented. This raises the question of the extent to which a more or less rational choice approach to studying actors' responses raises particular difficulties for research of the kind normally undertaken within industrial relations: that is, research which takes certain organizational structures for granted, so that such entities as trade unions can be regarded as unitary actors.

The individualizing methodology often associated with rational choice theory, concentrating on individual actors and assumptions of interest maximization, seems to be best suited to the analysis of pure markets. However, it should be noted that the individual in this kind of theory or any other kind of methodological individualism is not necessarily a biological individual; it can very frequently be an individual role, which might over time be filled by a wide range of different biological individuals.[1] More relevantly, within economics, rather special collective actors, that is firms, are very frequently the 'individuals' involved in the theory. For standard economic theory, this is achieved by treating the question of how firms are capable of unitary decision-making as unproblematic, the work of Coase (19880), Williamson (1975, 1985) and others – who have made the internal structure of the firm precisely their problematic – still being somewhat marginal to the neo-classical approach.

The organizations treated in industrial relations theory are merely institutions with more complex internal structures and goals than firms. We are therefore entitled to take the following approach. To the extent that it is possible theoretically to conceive the possibility of an organization having internal means of co-ordination that enable it to behave like a single actor, we are entitled to construct theories concerning the rational choices that it might make. To the extent that it is necessary to accept that these means of coordination are non-obvious and problematic, it is necessary to construct a second level of theory concerning how co-ordination is achieved and how organizations will behave when it is deficient. Over the years industrial relations specialists have produced a considerable amount of theory and research on these problems. In theoretical terms this amounts to a requirement for what I might call 'potential methodological individualism'. At any moment the collective structures which we take for granted for some theoretical purposes might collapse; and the collapse could change the shape of the collective actor to a variety of different new units, the limiting case being the 'individual', either in the biological sense or, more usually, that of role. We need to be ready for such collapses and to have theory available for dealing with them, but this does not prejudice our capacity to make theory and carry out research based on the provisional and heuristic assumption that collective actors *can* exist. It is true that at the present time the chances of organizational collapse are particularly high as a result of some of the change processes that will be discussed below, but that simply increases the likelihood of our recourse to the second tier of theory (that which problematizes the collective actor). It does not invalidate the first tier.

The simplest case: direct competition in production

Within this context we can try to make some assessment of the implications of globalization, starting first with the simplest case of a direct conflict between globalization and citizenship. The hypothesis is that globally mobile capital will move to parts

[1] For an excellent recent criticism of this and other aspects of methodological individualism, see Pizzorno (1993).

of the world where labour costs (direct and indirect) are lowest and where labour's rights are least well developed. Clearly, there are cases where this happens.[2] The production of certain goods has shifted heavily away from the existing advanced countries, largely for reasons of costs which are in the last analysis labour costs, a notable example being ship-building which moved first from Western Europe and the USA to Japan, and then on to South Korea and elsewhere in south-eastern Asia. Some services have already been affected as well as manufacturing: for example, shipping, where crews below officer level are almost universally recruited from low-wage countries; but also back-office clerical and accounting tasks, such as the European airlines whose ticketing operations are coordinated and administered in India, or the US insurance firms whose staff dealing with telephoned inquiries from customers in North America are located in Ireland (a relatively low-wage country within Western Europe) – accessed at local call rates via 0800 numbers.

How extensive are these inroads likely to become? Setting aside the Irish example, until a few years ago one could have argued that only relatively low-skilled work was likely to be exported to truly third-world countries, because almost by definition the very poverty of social infrastructure that made their labour cheap and taxation levels low prevented them acquiring skills. However, advances in technology have affected both production methods and systems of managerial control so that it is increasingly possible both for low-skilled workers to perform tasks that a few years ago required an advanced educational base, and for remotely located managerial teams to oversee the production process.

Nevertheless, other factors come into play to limit the challenge. First, the mobility of productive capital in the sense of factories, distribution chains and points of service delivery is in practice far more restricted than the theoretical concept of unrestricted capital movements implies; 'sunk costs' play an important part in all relocation decisions. Second, the progress of technology in enabling low-skilled labour to perform previously skilled tasks should not be exaggerated. The long-term trend is for an increase in the skills required from labour forces, and often managements can gain even more value added by mixing both advanced technology and highly skilled labour than by seeking a constant sum of value added by substituting technology for skill. In fact, many newly industrializing countries are beginning to escape the trap of being confined to low-skilled activities by rapidly improving the educational level of their populations – South Korea and Taiwan are notable examples. Although this increases the challenge they can make to established advanced industrial nations, it does so by moving some way towards the level of labour costs and social infrastructure that are often seen as a burden in the advanced societies, thus becoming a third factor limiting the extreme confrontation between high and low costs. Poor-quality social infrastructure is not necessarily an advantage, and among its negative implications one must include the risks of social and political instability in many third-world countries which limits their attractiveness as investment sites.

[2] The most reasoned attempt to establish the size of this so far is that of Wood (1994), which finds a small but definite impact on employment in the advanced nations resulting from the entry into world trade of the new industrializing countries.

As research by Pascal Petit and Terry Ward (1995) has shown, although the new economies of the Far East have considerably increased their import penetration of Western Europe and other advanced areas, they receive a far smaller proportion of direct investment from the industrialized countries than do those countries themselves. Of course, it will continue to rise as we are still in the early stages of the process, but it is important to place what has occurred already in perspective. Also, we must remember that, as wealth shifts to the new producers so they become customers for the goods of the advanced countries. As Petit and Ward also show, while South-East Asian manufacturers increased their share of third-country imports into the then European Community area from 12% to 18% between 1985 and 1992, their share of exports from the Community to third countries increased from 8% to 13% over the same period. Similar developments have taken place in their trade with the USA and Japan, where in fact there has been even greater success in exports to the region. In the long run we should expect living standards in these countries to rise, leading both to a reduction in the gap in labour costs and a rise in trade opportunities for the advanced countries as much as for themselves.

Of course, the long run may well be a long time arriving, but this view of the current period of dire consequences of globalization as *transitional* does change the view one takes of the kinds of adjustment it will require. In particular it favours reversible adjustments rather than radical change.

Probably more important than a dramatic competition between the highest and the lowest wage-cost countries is that between countries with the highest levels of industrial citizenship and those situated just a little below them, possessing similar social infrastructure but having a slight competitive edge in labour costs: competition between Germany and the UK, or between Spain and Greece. Here the gains in terms of labour-cost reduction are not as great, but neither are the risks or the losses of competence involved so problematic for the new work force. This kind of competition can have important implications, but to the extent that the competitor countries are within the same geopolitical zone it is possible for institutional arrangements to begin to rival the flexibility of capital – the social dimension of the European Union being the leading though not yet very convincing example.

These cases of slight competitive edge reveal an important point. If a country with unregulated labour markets and low social provision positions itself in competition with countries which maintain certain regulatory standards, it can remain fairly confident that its own social standards will be able to remain just slightly below those of the regulated economies. It is thereby protected from a downward spiralling competition over costs that might severely reduce the sense of well-being and consumption standards of its population. In a sense it may be said to be doubly free-riding on the regulatory regimes of its competitors: first, by securing a *de facto* level of regulation just below theirs which spares it from taking a full risk with a deregulatory strategy; and second, by benefiting from the support of consumption levels on which its own trading activities depend secured by the security guarantees offered to their populations by the high-regulation countries.

We may carry out an interesting thought experiment by working out what would happen if the countries in the rest of the European Union took the advice given to them by the British and deliberately abandoned the legal protection of social standards in order to compete for both sales and inward investment. There would immediately be some loss to the UK as other countries started to share in the benefits that possibly come from deregulation; a further loss as consumers in the other European countries lost spending capacity and security, part of which loss would be experienced by British exporters; and further loss still as British living standards had to drop still further to try to regain the competitive advantage. Although the UK government claims to be encouraging the rest of the Union to imitate its labour policies, the stability of the British economy and society would be severely threatened were they to do so. Of course, neo-liberal arguments do not claim to be free-rider solutions; their advocates believe that the whole world would gain from adopting them. However, their deflationary implications are protected from being tested by the continuing existence of policy regimes which do not follow their prescriptions.

Inter-sectoral differences in exposure

Until this point we have assumed a simple model of manufacturing industry and some services, all of which are capable of being internationally traded. It is now time to relax that assumption and look at different kinds of productive activity. Vulnerability to globalization in the production and distribution of goods is very varied. It is concentrated in two types of activity. First, the paradigm case of the globalization literature: transnational corporations which have the ability to move production to different locations, using their organizational strength to sustain managerial control and a global distribution chain despite having parts made and assembled at a constantly changing variety of locations. This kind of trade is certainly important, but it by no means constitutes the sum total of all contexts within which people are employed in advanced societies. These are very particular markets with very high entry barriers. Second, there are exports from domestic producers in low-cost countries who are able to compete effectively with locally made products in the advanced countries – the shoe industry is a good example. The entry barriers here are far lower, though there are restrictions on the range of goods, which tend to be limited to those that can be produced and then internationally distributed by relatively small indigenous firms in the low-cost countries.

Relatively untouched by globalization are not only some areas of goods production but also large areas of services provision. Of course, we must not make the mistake of regarding services in general as not being internationally tradable, many aspects of financial services in particular being tradable; and as the airline and insurance company cases cited above show, certain aspects of even locally traded services can be located remotely. Nevertheless, many services are likely to remain locally recruited and locally provided; examples include those of lawyers, cleaners, school teachers, policemen, shop assistants.

Some of these services are touched by globalization to the extent that global labour markets develop, taking the form of immigration into an advanced country from poorer ones. However, the impact of globalization is here limited by certain factors that do not apply to goods production or those services that can be delivered remotely. First, even though immigration will reduce wages in certain sectors through the increase in labour supply it represents, the employment conditions and therefore industrial citizenship rights of immigrant workers will usually be covered by national arrangements. It is possible to benefit from industrial citizenship without being a citizen in the formal political sense; the only important exception to this is the growth of clandestine employment among immigrants who have arrived illegally. Second, racism within the advanced countries has nearly everywhere led to far more severe limits being imposed on the movement of labour than on capital. Given that in practice neo-liberal parties tend either to govern in coalition with, or to have their own wings which include, xenophobic groups, there is nothing like the same thrust to liberalize labour markets as there is capital ones.

Very different arguments apply to the mobility of a further factor of production: purely financial capital. Here, the limitations of sunk costs that inhibit moves of production facilities do not apply, or do so only marginally. To shift production of motor vehicles from Germany to Poland takes years of planning, the construction of facilities, the training of work forces, the establishment of distribution chains. To shift billions of Deutsche Mark in and out of firms or national currencies requires just a few seconds and some information on a computer screen. A combination of computer technology and the deregulation of markets have produced a global financial sector. This does not have important direct implications for employment conditions, but it does have significant indirect implications that will be considered below.

These extreme differences of exposure to globalization do *not* mean that we have two employment situations within countries, an internationally traded sector in which industrial citizenship is depressed by global competition and a locally traded one (consisting mainly of services) in which it is not. Instead the following logic seems to be in operation. In most advanced countries there have been strenuous attempts to raise productivity in the export and import-substitution sectors; labour has been replaced by technology; low-skilled labour has been replaced by high-skilled; and inefficient producers have closed down. Niches have been found in globally competitive markets, not by reducing labour standards, but by improving productivity. This has often led to improved standards for those remaining in employment, but a large decline in their numbers. This is in particular the European case (OECD, 1994).

Indirect consequences of globalization

The competitive pressure from global competition has therefore fallen indirectly on those *forced out* of employment in the sectors directly engaged in the competition. Many of these have become unemployed; although the evidence is mixed, there are clear indications that *part* of the rise in unemployment in Europe and elsewhere has been the result of the new competition (Wood, 1994: ch. 8). Many others however have found employment in services sectors not directly touched by global competition. The process has often been even more roundabout than this implies. Workers do not necessarily move from one sector to another; rather, one generation stays in the old sector while its sons and daughters find employment in the new; or the wives of men made redundant or taking early retirement find the new employment and thereby sustain the family's income.

The growth of non-traded services has not been *caused* by globalization. In many cases it has been fortuitous that employment opportunities have opened in these services at a time when employment was contracting in manufacturing; and many of the jobs created have been at high skill levels. In particular, the biggest single component of the services sector – community and social services – employs proportionally more highly educated personnel than either manufacturing or the distributive and communications services which are closely allied to manufacturing (Crouch, 1997: ch. 4). At least in European countries, a majority of community and social services are publicly provided, and public employment typically enjoys high levels of security and other attributes of occupational citizenship. Nevertheless, public employment has not been free from the pressure of globalization. Since an important part of the cost advantage of third-world producers and relatively low-cost advanced countries comprises the low taxes and social costs borne by businesses, many advanced countries have tried to improve their competitiveness by reducing their own social expenditure, which eventually has an impact on the employment conditions of public employees in social and community services. Governments have also used reductions in taxation (and therefore in expenditure) as indirect inducements to workers not to press for increased wages and thereby to constrain labour costs. Finally, the ability afforded by globalization to some firms to 'regime shop' may involve governments in competitive reductions in taxation on businesses and managerial incomes, again with negative consequences for public employment.

It is here also that the full relevance of the extreme mobility of financial capital becomes relevant. If governments are tempted to risk a period of inflation by engaging in deficit spending in order to sustain public services while keeping taxes low, their currencies will be punished very quickly by the capital markets. Even if they raise taxes to finance the spending they may still be punished by the widespread prejudice of those engaged in these markets against public expenditure.

If one of the indirect effects of globalization is to reduce public employment, it has a number of consequences for industrial citizenship. First, public services usually have particularly highly institutionalized forms of industrial relations and their own employees' security. This is ambiguous. While it might form part of a general growth of such citizenship, in some cases it makes public employees a privileged group and therefore undermines wider occupational citizenship models. Second, public employment has provided particularly highly skilled work opportunities for many men and women, and a decline in its size may therefore lead to an overall reduction in such opportunities. Third, and possibly most important, in addition to their highly skilled employees, public services also employ large numbers of low-skilled people, especially women, in both manual and non-manual position (ibid.). (Relatively missing from the employment hierarchy in most public services are skilled manual workers.) Although these people usually earn only low incomes, public employment status has usually provided them with a degree of security, protection from extreme exploitation and right to trade union representation not otherwise easily available to poor people. The occupational citizenship of this group is heavily threatened when public services decline.

Such a decline can take the form of either the privatization of those services or an absolute reduction in the provision of the service in question (and therefore of employment in it). Often a combination of the two can occur: removal of a service from public provision free or heavily subsidized at the point of receipt to private provision through the market (as would be the case with the privatization of education or health services) is likely to lead to a reduction in demand as poorer consumers leave the market. This is less likely to happen among wealthier consumers (unless the service provided is one for which there was little real consumer demand) or with services that had been provided on a market basis under public ownership. Here there may be no reduction in employment of the same type, but there may still be a change of employment rights if private employers do not accept the terms and conditions of public employment. Whether this leads to an overall reduction in occupational citizenship or merely the abolition of privileges can only be determined by inspection of individual cases; where low-skilled, low-wage public employees are considered it is likely to be the former. In many cases (such as many of the British privatizations) one of the main 'gains' perceived to flow from privatization has been the reduction of security and worsening of employment conditions for low-wage public employees.

In addition, or alternatively, public employment conditions can be made to resemble those in the private sector by policies requiring teams of public employees to compete with private firms for the contracts to continue their jobs, another prominent feature of recent British policy. Usually engaging in such competition requires a loss of security rights, holiday entitlements, etc. This loss is likely to be concentrated among low-paid employees, as the more highly paid (usually the more highly skilled) are likely to find that in the private sector employers want to retain their services and therefore offer good-quality conditions as part of the labour market package.

Increased productivity and intensified competition in manufacturing alongside this decline in public services are now leading to greater reliance being placed on other services sectors – distribution and communications, business services, and personal and domestic services – to provide employment opportunities. They have been doing so through a process of growth that initially had nothing to do with globalization but with changes in patterns of consumer demand, the implications of differential productivity rates in different sectors of the economy, and the tendency for manufacturing firms to contract out a range of service activities to firms in the business services sector. This process of job creation has been at varied skills levels: business services, like public services, have provided a large number of professional and managerial positions; the distributive sector has mainly contributed routine non-manual jobs; private services, something of a residually defined sector, have provided some professional and routine non-manual, but also some unskilled manual employment (ibid.). In all cases the main missing group has, as in community and social services, been skilled manual work. In all cases, again including the community and social services sector, most of the employment creation, especially at the lower levels of skill and earnings, has been taken up by women.

In most countries outside Scandinavia these sectors, as well as privately provided social and community services, have – unlike public services – particularly low levels of trade union membership and of institutionalized industrial relations. To the extent that industrial citizenship depends on institutions of that kind rather than simple legislative support, the rise in these sectors has been part of a decline of industrial citizenship. This however varies considerably by country: for example, in France the legislative support for industrial citizenship is much higher than in the UK, where there is more dependence on voluntary agreements which in these sectors often do not exist at all.

Globalization has been only indirectly involved in these main processes: it is only insofar as pressures to improve productivity (and therefore probably to reduce employment levels) are higher in internationally traded sectors which have become more competitive as a result of globalization than in protected sectors that it has been one among many general causes of the rise of the service sectors. There is however a more specific indirect contribution of globalization to certain kinds of employment growth which is more clearly an aspect of a decline in occupational citizenship. This takes the following form. The decline in the demand for labour in manufacturing, created *partly* by globalization, leads to a rise in unemployment among low-skilled people. Employment can be created for them in labour-demanding, and therefore low-productivity, sectors only if they are inexpensive to employ. This requires not only low wages but also low indirect labour costs and low levels of security. It is this line of reasoning that leads the OECD and the consensus of economic experts to advocate a *general* deterioration in the regulation of labour markets, labour security and social protection – in short, a deterioration in industrial citizenship.[3] The fact that the UK and the USA – countries with particularly low levels of such citizenship among the advanced nations – are experiencing a decline in unemployment levels while much of Western Europe is seeing rising unemployment is taken as evidence of the value of such a strategy.

No-one expects the actual levels of security and employment terms of higher paid employees to be adversely affected by the removal of legislated or bargained security arrangements; such employees would continue to benefit through labour-market forces. The aim of the strategy is to produce more employment at the low end of the skill and income chain, simultaneously engineering a general shift in the character of security away from citizenship and towards market forces as well as a major increase in social inequality – another characteristic that distinguishes British and North American labour markets from those of Western Europe and Japan.

There are however alternative strategies which can limit the severity of such a dilemma, if policy makers so choose. For example, a significant component of labour costs comprise the contributions to employees' social security, pension rights, etc that are borne by employers, though there is considerable diversity among countries in the extent to which this burden is shared by the general tax payer. It is particularly high in the high-unemployment countries of southern Europe, and very low in Scan-

[3] See OECD (1994), and the stance taken by the organization in recent issues of *Employment Outlook* (OECD, annual).

dinavia and the UK. The fact that the Scandinavian countries have the highest levels of social security provision in the world shows that it is entirely possible to fund this provision without recourse to heavy taxes on employment. At a time when it was necessary to encourage higher productivity production methods in European industry in conditions of full employment, it made sense for the cost of employing labour to be raised in this way. Now however the opposite logic is at work. It is justifiable to argue that, if employment is to some extent a collective good, then more of the cost of providing it should be shifted from employers to the general taxpayer. While it might be argued that this is enabling employers to externalize part of the support costs of hiring labour, we are not currently in a position to be purists on this issue. Subsidizing employers, if that is what such a cost transfer represents, makes sense when increasing the range of employment on decent conditions has become such a priority.

The fact that practices vary among countries shows that this must be possible, and Hemerijck and Kloosterman (1994) have described how a change in Dutch policy in this regard in the early 1990s had dramatic implications for employment, especially of Dutch women. Since the general provision of security is more compatible than employer contributions with the concept of industrial citizenship, this would seem to be a means by which globalization and such citizenship can be reconciled.

Indirect implications of changes in industrial relations systems

The shift from manufacturing and manual employment to services and non-manual work – which is of course only partly impelled by globalization – may have negative implications for citizenship in an even more roundabout way. Not only are levels of union membership and institutionalized industrial relations typically lower in services (other than public services) than in manufacturing industry, but both services and non-manual employment tend to produce a different *kind* of unionism. Even in Scandinavia, non-manual unions in particular are rarely capable of the central co-ordination that was an important feature of manual unions. This reduces the capacity for central action by confederations, which in turn limits the capacity of unions to pursue strategy. They become more limited to specific bargaining goals for individual groups of employees, and therefore less capable of acting at the level of citizenship demands. The old manual unions were associated with a very clear agenda of social policy in nearly all countries. It is far less clear what is the general social strategy of non-manual and services-sector unions.

Some reorganization of institutions is possible to tackle this problem, as has been shown in Denmark (Due et al 1994). A restructuring of unions and employer associations better reflects the new occupational structure, and less weight than in the past is placed on a centralized bargain in the manufacturing sector to secure overall order. One consequence of this is a considerably lower level of co-ordination than in the past, but that was inevitable. Defenders of the system can at least claim that they have preserved a role for organizations in monitoring developments in the labour market. In principle the organizations therefore remain capable of shaping changes in terms and conditions of employment through dialogistic means partly external to the market – and therefore they have sustained a meaning for occupational citizenship.

This is particularly significant if one considers the earlier argument that some of the pressure of globalization is transitional. If that is so, it would be rational for those committed to the defence of particular citizenship institutions to protect the form of the institutional design at the expense of substantive gains – in particular by sacrificing wage increases. Levels of living can be restored by an incremental process; the restoration of rights is a more difficult task that requires strategy. Indeed, in even a shorter term the choice may not be a zero-sum one. Declining security leads to declining consumer confidence, which further depresses economic activity and therefore wages. However, only a strategic labour actor can persuade workers to adopt such policies. Left as individuals without co-ordination, individual workers are forced to seek short-term maximization in the labour market. If changes in employment structure destroy the coordinating capacity of trade unions, the ability of labour (though not of course capital) to act strategically in the face of its common problems may be permanently impaired. This tendency is further strengthened by the declining capacity of nation states themselves to act strategically in the global climate of regime shopping.

Conclusions

In conclusion, the simple argument that globalization pits workers in the advanced countries into direct competition with those in countries with low or non-existent levels of industrial or even general citizenship is false, or relevant to only a small number of industries. Far more important are indirect implications conducted via (i) the preference of the global financial community for regimes of low social spending and low taxation; and (ii) (especially given the barrier to public employment opportunities consequent on (i)) the search for cost reductions to make possible the employment of low-productivity labour in the sectors *protected* from direct global competition. These cost reductions usually include reductions in citizenship guarantees.

This is happening at a time when industrial citizenship is becoming more rather than less important to many workers. Demand instability, the impact of competition and changing technology are increasing the level of labour insecurity, not just for the low-paid. Labour insecurity leads in turn to consumer uncertainty, reduced demand and even more labour insecurity. Industrial citizenship, that is guarantees of certain forms of protection irrespective of labour-market conditions, can be crucial in breaking that chain and in sustaining consumption through difficult periods. Ironically, however, it is being removed at precisely the moment when labour market guarantees are declining too, preventing any counter-cyclical effect.

Employers' desire to reduce employment security have acquired prominence because of the end of the period of flattened trade cycles of the Keynesian period. Demand now fluctuates widely. This factor is partly itself a function of the intensified competition brought by globalization; firms cannot assume that demand for their products will remain stable. Technological change has similar implications. It is also however a result of the deteriorating Phillips curves, or rise in the non-accelerating rate of unemployment (NAIRU), which set in following the high inflation of the 1970s. This, together with the ability of globalized financial markets to respond very rapidly to differential inflation rates, made Keynesian demand management risky. Globalization has a further very indirect responsibility for this in that, as we have seen, it is among the several causes of a deteriorating capacity for co-ordination in collective labour markets, this lack of co-ordination being among the proximate causes of the deteriorating Phillips curve. On the other hand, globalization may eventually contribute to some stabilization of demand, in that different regions of the world may have different trade cycles.

Examples of strategies that can in principle be chosen include: a shift in the burden of protecting security from employers to the general taxpayer; decisions to protect institutions at the expense of money gains; and means of providing basic security protection for low-wage employees by maintaining the scope for public employment in low-productivity services. The protection from financial markets of high-tax regimes which sustain fully funded social spending is also important, but probably cannot be borne by individual European currencies alone. It is a final irony that the process of monetary union that might provide protection from financial speculation requires as one of its conditions a move to a fiscal regime that tends to be hostile to high public spending, even if supported by taxation.

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