

Industrial Relations in Europe: Crisis or Reconstruction?

Abstract

In this paper it is argued that at this very moment students of industrial relations have three options. The first is to cling to the role of neutral observers as the object of our study is submerged under the waves of globalisation. The second is to seek a comfortable niche as servants of power. The third, and doubtless most difficult, is to offer our skills in research and analysis in a partnership with those social actors struggling to sustain a civilised regulatory regime in the labour market, to pursue shared understandings and to help shape strategic initiatives.

Industrial Relations and the Problem of Theory

The issue of industrial relations theory has always been problematic. Two familiar facts are symptomatic of this: first, industrial relations writers have debated long and inconclusively over the proper definition of their subject; second, they have failed to agree whether or not their specialism constitutes a discipline. It is almost four decades since Dunlop issued his famous lament at the inadequate analytical foundations of research and teaching in our field: 'facts have outrun ideas. Integrating theory has lagged far behind expanding experience' (1958: vi). Yet the paradox of subsequent efforts to develop more rigorous theory – and hence one reason for their inadequacy – is that it is a curious type of intellectual architecture which seeks to build the conceptual underpinnings of an edifice which has now been standing for over a century.

As is well known, the (more or less) systematic study of industrial relations emerged in the English-speaking countries in the late nineteenth century (though the term itself took a little longer to enter common currency). Anglo-American scholarship has always been marked by pragmatism and empiricism; in industrial relations these characteristics were compounded. Early work in the field was stimulated by what was often called the 'labour problem': on the one hand, low pay, job insecurity, oppressive employers and inhuman working conditions; on the other, often violent upsurges of conflict which appeared the inevitable response to such conditions. Hence 'industrial relations' emerged as 'an academic field of study, a reform movement in industry, and a professional vocation' (Kaufman, 1993: 3). Pioneer scholars

such as Sidney and Beatrice Webb and G. D. H. Cole in Britain, J. R. Commons and Robert Hoxie in the United States, were sympathetic to labour and regarded trade unions as a positive force for reforming the conditions and status of work. Their orientation was in harmony with the concerns of 'progressive' employers, politicians and civil servants.

Theoretical sophistication was not the central objective of such researchers. Their priorities were to catalogue the multiplicity of institutions, practices and procedures involved in the regulation of employment; to assess and explain their relative efficacy in containing unrest and conflict; and to offer prescriptions designed to bring both material improvement and more orderly relations.

Anglo-American industrial relations thus emerged through an intimate dialectic between scholarship and public policy. This certainly helps explain the expansion and consolidation of the field within academic institutions: a process closely linked to wartime concerns to maintain high and uninterrupted levels of production, and to post-war efforts to harness the new strength of organised labour to the capitalist order so as to combine sustained accumulation with social and political stability.

A further aspect of both the study and the practice of Anglo-American industrial relations which deserves emphasis is the liberal pluralist tradition. In the context of public policy this entailed a relative detachment of government and law from the practice of industrial relations. From the late nineteenth century in Britain, later (and with more qualifications) in the USA, there was a broad consensus that the regulation of employment was best left to the 'voluntary' action of trade unions, employers and their associations; the role of the state was primarily to underwrite the rules of the game and to offer minimal protection to those workers who fell through the net of collective bargaining. The academic version of industrial relations pluralism was in part a celebration of national practice, with two distinct though related themes receiving emphasis. First, it was argued that rules were most likely to attract consent, and hence provide a stable basis for orderly industrial relations, when those immediately affected – employers and workers – were directly involved or represented in their formulation. Second, that 'free collective bargaining' was an aspect of the organised participation of economic interests in the conduct of civil society, a counterbalance to the power of the state, and hence a basis of a democratic social order. Not surprisingly, Dunlop's attempt to theorise the 'industrial relations system' can be viewed less as a new departure in Anglo-American scholarship than as a systematisation and elaboration of the tacit theory of previous writers.

This stylised account of Anglo-American industrial relations may be contrasted with approaches to employment relations in most of Europe. Despite a diversity of national regimes (Crouch, 1993), the state has in most countries been a far more central actor in the regulation of employment. First, statutory determination of substantive conditions of employment – such as minimum wages and maximum hours – is common; the relative importance of law and collective bargaining is thus often reversed. Second, in most countries there is statutory prescription of the status, and sometimes the internal constitution, of the collective actors: trade unions and employers' associations. Third, and perhaps as a corollary, these actors are recognised as 'social partners' with government in regulating not only the employment

relationship but also the broader framework of social and macroeconomic policy within which this is located. Fourth, and closely related, the ‘social wage’ – a concept which is barely comprehensible in English – is a crucial item on the agenda: trade unions in particular are normally concerned to shape not only the wages paid by their members’ employers but also the taxes to which these are subject and the social benefits and services which supplement or substitute for them.

In such contexts, the idea of a system of industrial relations largely autonomous from broader politico-economic action makes little sense. The very term ‘industrial relations’ has until recently been little used in most European languages (except in the special environment of American-influenced business schools), and *a fortiori* the idea of a free-standing academic discipline of industrial relations has been absent. Rather, in most countries the study of employment relations and employment regulation developed as an element in a range of different social science disciplines: labour lawyers addressed the statutorily prescribed rules and institutions; labour economists, the dynamics of labour markets; industrial sociologists, the control of work and the impact of technological innovation; and so on. In consequence, research and teaching on employment-related issues have tended to be strongly informed by social science theories, though theoretical perspectives have been fragmented according to the particular ‘home’ discipline. By contrast, a positive feature of Anglo-American industrial relations (the counterpoint of its theoretical flaccidity) was its multi-disciplinary character.

Mapping the Terrain

Despite all the debates about the meaning of industrial relations, there are some points common to most definitions, involving reference to control, to rules, or to regulation (which the Oxford dictionary defines as ‘control by rule’). As a very rough conceptualisation (and as Figure 1 presents graphically) we may view industrial relations as a field of tension between market forces and social regulation, which itself comprises the interaction of state determination and collective bargaining.



Fig. 1. The Industrial Relations System.

Some qualifications must be made at the outset. Markets are not (or not simply) impersonal agencies. At least since Durkheim, sociologists have insisted that markets can function only within a framework of rules which are themselves socially constituted. Moreover, the economists' notion of perfect competition is a myth: markets are an arena for encounters between actors deploying unequal resources, with the outcomes biased to the advantage of the more powerful. These points apply *a fortiori* in the case of the labour market. Labour (power) is no ordinary commodity, being inseparable from the physical presence and conscious intervention of its bearer, the worker. The labour market is thus a social institution within which (prospective) employers and workers agree, individually or collectively, the terms of the wage relationship (an inadequate rendering of the useful term *rapport salarial*), subject to whatever constraints may be externally imposed. To speak of employment relations dominated by market forces is to refer, perhaps euphemistically, to a context in which workers confront employers primarily as individuals (and hence in a position of extreme vulnerability) while employers face little external restriction on their treatment of workers (Standing, 1996).

The construction of an industrial relations system may then be characterised as the dual conditioning of such market regulation of the employment relationship, by law and other forms of state intervention on the one hand, collective organisation and action among workers (and less crucially, employers) on the other. In many national contexts, indeed, market forces never operated in anything resembling a 'pure' form. In all countries, a system of production based on wage-labour and capital emerged out of pre-existing social institutions in which the functions and status of the labourer were socially – and often rigidly – defined. It was in Britain and the United States that the principles of economic liberalism, entailing a sharp separation between state and civil society, were embraced most thoroughly; though even here, not absolutely. Elsewhere (as in most of Europe), capitalist industrialisation typically involved a complex interaction with government control – with some national states attempting to resist the rise of a capitalist market economy, others encouraging economic modernisation while attempting to channel its course.

Within the framework of each particular emergent settlement between state and capital, organised labour became a third actor in the regulatory process. Again, the Anglo-American pattern of labour's collective involvement was distinctive, mirroring employers' own preference to exclude the state from the day-to-day regulation of the employment relationship. Hence most unions sought primarily to develop their own economic strength – either through the capacity to take effective strike action, or through craft-type job controls (or often, both) – such that employers would be obliged to negotiate and to agree mutually acceptable terms for the joint regulation of the employment relationship. Unions elsewhere – often because less confident in their own economic capacity, or more influenced by socialist ideals of solidaristic working-class interests – gave greater priority to political pressure on the state itself to regulate the capital-labour relation.

Whatever the route taken, we may regard the decades (or in many cases, centuries) which culminated in the 1970s as a period of evolution and consolidation of industrial relations systems: in every case, subordinating the autonomy of the employers

in their treatment of labour to a framework of regulation which involved some interaction between law and collective bargaining.

What is of crucial importance, however, is that each such framework was cast in a national mould. Legal regulation of the labour market was the function of the nation-state, whose invention coincided with the rise of capitalist industrialism. Labour movements, often emerging in highly localised form, consolidated as national organisations; internationalist aspirations scarcely transcended the ceremonial and rhetorical. The structure of collective bargaining followed the same contours. Efforts to establish transnational regulation – as by the ILO from its foundation in 1919 – normally represented no more than a lowest common denominator of existing practice in industrialised countries, and thus had little if any impact on established industrial relations systems.

The Challenge of Globalisation

The national embeddedness of industrial relations systems constitutes a source of great vulnerability in a context of economic globalisation. Whatever reservations may be entered concerning the ideological reification and hypostatisation of the notion of globalisation, there are at least two features of the transformation of transnational economic relations which threaten established institutions of social regulation of labour markets.

The first is the emergence of the multinational corporation (MNC) as a key economic actor. Foreign direct investment (FDI) – which in the earlier decades of this century was primarily a feature of the imperialist penetration of dependent territories – is today an element in the increasing interdependence of developed industrialised economies. (For this reason, perhaps the principal objection to the term ‘globalisation’ – like that of the two ‘world’ wars – is that it refers to processes which directly implicate only certain of the countries of the globe.) The larger MNCs command resources comparable to those of many nation-states – and are able to deploy these resources without any of the constraints of democratic decision-making.

In Europe, the process of concentration and centralisation of capital received a major boost with the completion of the ‘single market’ project in 1992/1993. Paradoxically, this initiative which was signalled as the victory of the principles of free trade over regulatory restraint had at its core the reduction of competition through the oligopolistic restructuring of European capital (Ramsay, 1991). The strategy outlined in the highly influential Cecchini Report (summarised in Cecchini, 1988) envisaged economies of scale within an integrated continental market through a reduction in the number of major producers across a range of key sectors. There has indeed occurred a major growth in intra-European FDI, with a rapid process of corporate consolidation through mergers, take-overs and joint ventures.

The salience of MNCs within the global economy reinforces the argument that the market is an arena of power, creating scope for dominant actors to impose their own, autarchic systems of regulation. In the field of industrial relations, two distinct consequences may be noted. In their decisions on investment and divestment, MNCs are

able to engage in ‘regime shopping’: favouring countries which impose few restrictions on employers’ freedom of action and avoiding those which maintain a regulatory framework supportive of employee rights and conditions (Streeck, 1992). The mere belief that such concerns may motivate location decisions (given the difficulties of adducing clear evidence) may encourage tendencies towards ‘social dumping’: the competitive dilution of national regulatory systems. At a different level, MNCs acquire enhanced leverage in collective bargaining through their ability to ‘benchmark’ the performance of different national subsidiaries (Mueller, 1996). Workers, and their unions, in establishments which (allegedly) fail to match optimum performance indicators come under pressure to agree concessions which reduce unit labour costs, typically by enhancing managerial flexibility in the organisation of production. Hence the second main instrument of the social regulation of labour markets is also threatened.

The visible hand of the MNCs interacts with the second main feature of globalisation: the increasingly coercive invisible hand of finance capital. The last two decades have seen a radical transformation involving: the liberalisation and deregulation of international capital and currency markets; the acceleration of transactions (to the point of virtual instantaneity) as a result of advances in information and telecommunications technologies; and the breakdown of the American-dominated post-war system of international monetary stabilisation. The result is a highly volatile pattern of capital flows. Unpredictable (speculative) fluctuations in the paper values of company shares or national currencies are translated into disruptive oscillations in the physical economy.

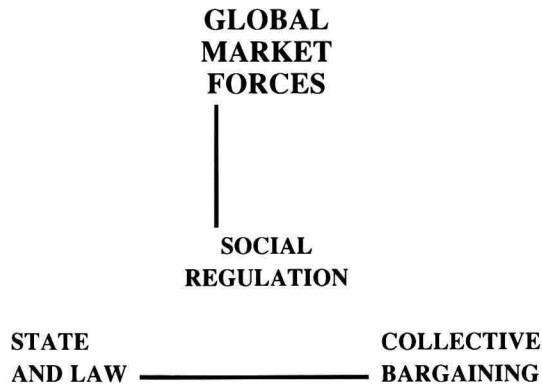


Fig. 2. The Industrial Relations System Under Global Challenge.

As Figure 2 attempts to indicate, globalisation dramatically alters the balance between market forces and social regulation. The matrix for the formative period of capitalist industrialisation, and for the various Keynesian-influenced systems of post-war macroeconomic management, was the regulatory capacity of the nation-state. It is indeed true that in most economies (certainly, most European economies) the

salience of the export sector ensured that industrial relations policies were consistent with international competitiveness. Nevertheless, the processes of market regulation were primarily endogenous: the national state, and the parties to collective bargaining, could address the labour market as a more or less closed system. The import of globalisation is that market dynamics are increasingly subject to exogenous determination. Accordingly, the scope for nation-specific social regulation is diminished. National systems of industrial relations are therefore under threat.

A Crisis of Industrial Relations?

For at least a decade it has been common to speak of a crisis of industrial relations; but the issues just addressed are not always central to such discussion. Four themes have tended to dominate the literature of recent years: management strategy, de-unionisation, decentralisation and deregulation. While each can be regarded as an oversimplification and overgeneralisation of uneven and contradictory trends (Hyman, 1994), there can be no doubt that these have dominated the academic agenda.

In many countries, the 1980s were described as 'the decade of management'. This theme was central, for example, to the diagnosis of a 'transformation' of US industrial relations (Kochan et al., 1986). After the long period (at least in some countries) when employer discretion was constrained by collective bargaining, managements were said to be recapturing the initiative, in three distinct ways. First, a strategic decision could be taken whether to (continue to) recognise trade unions and engage in collective bargaining. Second, the collective bargaining agenda itself was increasingly being set by employers: rather than responding to the demands of workers and their unions, they were now pressing to reverse the substantive and procedural gains achieved by unions in former bargaining rounds (with the implicit or explicit threat that, in the absence of union agreement, the changes would simply be imposed unilaterally). Third, within the enterprise there was a shift from 'indirect' to 'direct' relations with the workforce: issues which had formerly been discussed with employee representatives (shop stewards and the like) were increasingly transferred to other channels (work teams, quality circles, briefing groups).

The marginalisation of trade unions was widely perceived as the necessary corollary of the new managerialism. In many countries – again, the United States was an exemplary case – they had suffered a severe loss of membership: partly because of employer tactics of union exclusion, partly because of their failure to 'deliver the goods', partly because of the dwindling core of manual workers in large enterprises in production industries where labour movements had their traditional strongholds.

De-unionisation, it became generally recognised, was not universal. In many countries, the legal framework made American-style strategies of union exclusion difficult to pursue successfully (as many American MNCs came to learn). In some cases, where unions had entered the 1980s with particularly high levels of membership, this remained stable or even expanded throughout the decade. Yet even here, unions seemed to face new problems of interest aggregation: with conflicts between those

representing workers in both profitable and in marginal firms, in public and in private sectors, men and women, manual and white-collar employees. The solidaristic regulation of labour markets which had been characteristic of many national industrial relations systems seemed to be unravelling.

This linked in turn to the theme of decentralisation. Here, Sweden was the commonly cited case, with the breakdown of the system of peak-level agreements between union and employer confederations which had characterised the previous decades. Elsewhere in Europe, decentralisation implied a shift from sectoral multi-employer agreements to single-employer determination of employment conditions (either unilaterally or through collective bargaining) – with Britain the extreme example. Such trends could be interpreted as reflections of a generalised employer drive for flexibility: an insistence on the need for company-specific employment regimes, to be established either by autonomous managerial discretion or through ‘microcorporatist’ bargaining with local employee representatives.

Flexibility has also been central to the theme of deregulation. In most countries, for over a decade, there has been strong pressure to reduce statutory restrictions on employer discretion (for example, in relation to the type of contracts offered employees, or the organisation of working time). The role of states in labour markets appeared to be shifting: from mediating the conflicting interests of capital and labour to acquiescing in the demands of employers for increased autonomy. In this sense, then – as Standing (1996) has vehemently insisted – ‘deregulation’ is a misnomer; what is at issue is a shift from governmental regulation to ‘market regulation’, in which the employer wields the decisive influence.

For writers who regard such trends as the decisive features of modern times, it is often concluded that industrial relations is *passé*. In the United States, departments, courses and textbooks have increasingly embraced the HRM label and abandoned that of industrial relations; and there has been a similar, though less dramatic trend in Britain. One commentator (Niland, 1994: 463), viewing these developments, has suggested that ‘it is not being overly dramatic to wonder whether the discipline will survive much beyond 2000. If it does, certainly it will look quite different by then, and a change of name would be only part of the story.’ The conclusion drawn was the need for a fundamental paradigm shift: ‘the challenge facing industrial relations is to develop a discipline, which is at the one time intellectually satisfying to scholars... but which is also useful to policy-making and professional practice’ (1994: 468).

A different, though partially overlapping argument has been presented by the organisers of this colloquium in their introductory statement. Theory in industrial relations (and labour law), it is suggested, confronts a dual challenge. On the one hand, the economic imperatives associated with globalisation require ‘a conceptual basis and guideline for both new research and new policies’ which the ‘old’ industrial relations cannot provide. On the other, ‘recent shifts in paradigms such as interpret[at]ive sociology, second order system theory, game and network theory, law and economics, gender theory, legal pluralism, international law and constitutional and civil rights theory’ constitute both a threat to traditional modes of industrial relations analysis and a potential resource for their reconstitution.

Such contentions are not wholly misplaced, certainly; but there are three counter-arguments which deserve emphasis.

The first is that at a global, and indeed European level, reports of the death of academic industrial relations are much exaggerated. Niland is an Australian writing about Anglo-American research and teaching. Here, old-style industrial relations has certainly appeared increasingly outmoded. Yet viewed from Britain, what is perhaps more significant is the degree to which broader European scholarship has both drawn on and enriched the subject. In the past, as indicated above, no distinct field of industrial relations existed in most European countries and the term itself was rarely used in literal translation (writers who wished to identify with the subject were more likely to use such terms as *relations professionnelles* or *Arbeitsbeziehungen*) (Hyman, 1995). The launch in 1994 of the journal *Industrielle Beziehungen* was in this respect a significant shift. More generally significant, however, has been the degree to which the interdisciplinary study of work and employment regulation has become established in European countries, and the proliferation of associated texts. The rise of *relaciones laborales* in Spain is a case in point, with the first textbook (Miguélez and Prieto, 1991) combining sociological and economic analysis and insisting on the need to integrate structural, actor-centric and processual perspectives. A similar effort at intellectual synthesis can be found in the Italian (but English-language) journal *Labour*, first published in 1987, which insists on overcoming the disciplinary demarcations which have traditionally fragmented analysis and understanding in most of Europe.

If scholars in other European countries have shown increased interest in the Anglo-American field of industrial relations, the need to transcend empiricism and draw on far broader theoretical insights has become commonplace in British scholarship. The call for a political economy of industrial relations – locating the institutions of job regulation within a broader understanding of societal dynamics – has by now become almost a cliché. The impact of labour process analysis has been substantial: it is no longer eccentric to insist that the rules governing employment have to be viewed against the background of the changing organisation of work itself. The implications of gender relations have been integrated into much current industrial relations research and teaching – as a reading of any issue of the journal *Work, Employment and Society* would indicate. To this extent, then, our organisers' criticisms miss their target.

The second point of reservation concerns those who wish to reconceptualise industrial relations as HRM. The objection to this currently popular trend is that it reformulates the traditional pragmatism of industrial relations in an essentially repressive mode. The pioneers of industrial relations scholarship shared the widespread belief of their times that science was above all else a vehicle of social progress, and conceived their work as a contribution to beneficent social change. To encourage the spread of collective bargaining was both to improve the conditions of work and workers, and to advance the creation of a more democratic society. (This tradition, one might add, is sustained in the Swedish-based journal *Economic and Industrial Democracy*: another example of the Europeanisation of industrial relations.) This societal focus is abandoned with the shift to HRM. Academics embrace the role of servants of power,

suppressing attention to the conflicting interests which underlie the world of work and employment – a conflict which traditional industrial relations scholars recognised as the basis of their studies. Rather than the bearers of interests, aspirations and objectives, workers are reduced to: resources. The explicit redefinition of industrial relations as a subsidiary component of management bears an uncanny resemblance to what Wright Mills, half a century ago, called the ‘institutionalization of manipulation’: with scholars assisting employers to extend their ‘manipulative grip by understanding employees better and countering their informal solidarities by controlling and exploiting these solidarities for smoother and less troublesome managerial efficiency’ (1949: 215-8).

Can industrial relations scholarship be sustained as a (potentially) emancipatory body of knowledge and understanding? Herein lies my third reservation with arguments for reconceptualisation of our subject. As already emphasised, both the theory and the practice of industrial relations in its classic phase involved the social regulation of labour markets. Because such regulation was essentially national in scope, it is under severe challenge. The four themes discussed earlier – the managerial offensive and the disorientation of labour movements, the erosion of encompassing collective agreements and the weakening of legal constraints on employers – are all reflections of the pressures of globalisation. The fundamental problems of industrial relations are *material* rather than intellectual.

Hegel remarked that the owl of Minerva spreads its wings only with the coming of dusk. Yet is our role to confect ever more sophisticated theorisations of the collapse of industrial relations systems? Of course the task of scholarship must be to sharpen and refine the instruments of analysis and explanation. But the main problems of industrial relations as we approach the millennium are in the real world rather than in how we interpret it. To reconstruct industrial relations theory without engaging with industrial relations practice is akin to re-arranging the deck-chairs on the Titanic.

Towards European Industrial Relations?

It would be logical to argue that the destructive impact of global market forces can be contained only by the creation of a global industrial relations system involving global processes of social regulation. But let us be more modest and perhaps more realistic. Europe has become an increasingly integrated economic space, and many of the challenges to national industrial relations systems within Europe reflect intra-European market forces. Can we conceive a parallel system of European social regulation?

As in national systems, social regulation within an emergent European industrial relations system – which if established might point the way to more extensive cross-national initiatives – would involve two elements. Both are inherent in the deeply ambiguous concept of an *espace social*, or social dimension to the process of European economic integration. One involves statutory regulation by the EU, primarily through the mechanism of directives. The other implies some analogue to collective bargaining at national level. Given the well-known (and rational) resistance of MNCs

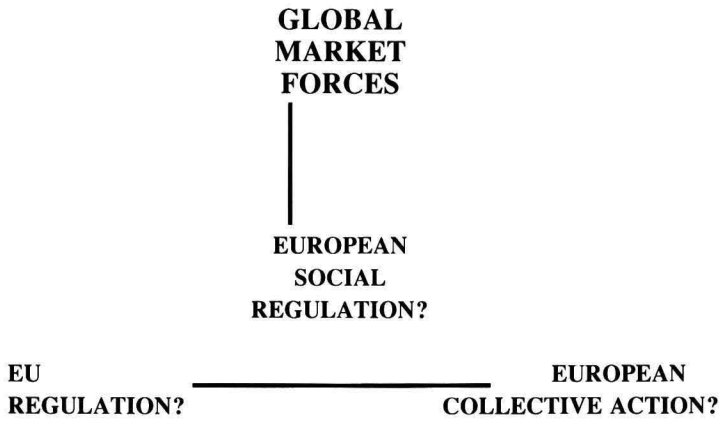


Fig. 3. Towards a European Industrial Relations System?

and employers' organisations to European collective agreements, a precondition would be the development of a significant capacity for collective action by European labour.

The obstacles are notorious. The attempt to impose social regulation upon a market-driven project inspired by principles of economic neo-liberalism is inherently contradictory. The constitution of the EU imposes few constraints on national sovereignty – a position given philosophical underpinning by the doctrine of subsidiarity – and has traditionally made it particularly easy to veto initiatives in the field of social policy (Gold, 1993; Hall, 1994; Mosley, 1990). The Protocol on Social Policy agreed at the Maastricht summit of the Council in December 1991, and incorporated into the Treaty on European Union, in some respects eased the legislative process, but at the cost of the UK opt-out (which may indeed not survive the next election).

Though the controversy over the social chapter attracted most attention, this was arguably a subsidiary aspect of the Maastricht agreement (Lange, 1993). As with the single market project, the central dynamic was economic: the progress towards economic and monetary union (EMU). The five convergence criteria for EMU relate essentially to financial indicators rather than real economic performance; proposals for an employment criterion were rejected. The emphasis on low inflation and curbing public deficits has reinforced pressures towards a (competitive) deflationary and deregulatory regime.

The barriers to effective trade union action at European level are likewise familiar. Despite the traditional rhetorics of internationalism, unions are rooted in national terrains; in any attempt to build transnational organization, such problems are amplified and compounded. This has been evident in Europe: the interests and perspective of national unions differ considerably, not only because of contrasting ideological traditions but also for example between high- and low-wage countries, between those with advanced industries and those with more archaic structures of production, between those with well established welfare states and systems of employment regu-

lation and those without. Hence, for example, what is social dumping for trade unions in one set of countries may represent an expansion of job opportunities for those elsewhere (Lanzalaco and Schmitter, 1992: 210). Common programmatic declarations typically paper over such divisions.

Unions are in one sense handicapped by their representative and democratic rationale. The agents of transnational capital can implement policies in a direct and authoritative manner. Representatives of labour must engage in processes of vertical and horizontal negotiation in order to establish any meaningful policy objectives: reconciling different national, sectoral and occupational interests but also winning support and understanding at grassroots level. These processes are at least potentially contradictory: the history of international trade union relations is replete with paper agreements between top-level 'bureaucrats' remote from the memberships in whose name they are presented. These are familiar problems which are all too evident in the record of the European Trade Union Confederation (ETUC). As Ebbinghaus and Visser note (1996: 14), 'similar to Brussels technocracy, the ETUC remains by and large the affair of national union leaders meeting sporadically, and of some union leaders serving permanently in Brussels. Everything is far removed from the ordinary member or even national union.'

It is difficult to argue that trade unions have been influential actors in the process of European integration. They are reacting, belatedly, to a transformation in economic relations which is already set firmly on course. It is uncertain whether they are able to transcend their own internal differences of interest and orientation; and if they can, whether their organizations at European level can achieve the strategic capacity to affect those decisions which remain open.

Against this background there is however a polarization of views. One position is deeply pessimistic: a liberal economic regime provides a terrain on which transnational capital can divide and rule: opting for those national labour market regimes offering the best prospects for accumulation and encouraging a competitive undercutting of national collective bargaining and national welfare states (Altvater and Mahnkopf, 1993; Ramsey, 1991). An effective EU structure of employment regulation might limit such pressures, but seems scarcely attainable (Streeck, 1992 and 1994). Whatever paper declarations may have been achieved within the EU system, their real value has proved negligible (Silvia, 1991).

An alternative position, while not necessarily optimistic, is less dismissive. Goetschy (1994), for example, has emphasized that 'subsidiarity' has encouraged the development of a strong regional dimension within the EU, creating new space for labour movement intervention. In addition, the various programmes covered by the EU structural funds have an important redistributive role, doing something to offset the dynamic of uneven development. Ross (1994) likewise cautions against 'Euro-pessimism': the achievements of the social dimension are modest but not insignificant. Were the national trade union movements to allow the ETUC more resources and greater authority, more could in principle be achieved. Leibfried and Pierson (1992) have likewise insisted that there exists room for manoeuvre: as national governments find their own discretion limited by supranational economic forces, they are likely to be more willing to enhance the role of regulation at EU level.

In any event, it is possible to conclude that there exists some space for a potentially greater influence by European labour. The external obstacles are immense: the liberalizing dynamic already in train, the more effective impact of the employers' side, the built-in constitutional obstacles to progressive EU initiatives. The internal obstacles to constructing a cohesive and effective European trade unionism are similarly imposing. Yet paradoxically, if the pessimistic scenario holds true, and if the scope for effective trade union action at national level becomes systematically reduced, the pressures for effective transnationalism will intensify. There exists some space for strategic intervention.

Coda

The challenge to existing industrial relations systems stems primarily from the emergence of MNCs as key economic actors, and the unleashed anarchy of global market forces. Global capital and global market forces are antagonistic to social regulation of employment to an extent and in a manner not necessarily true at national level. The future of industrial relations is increasingly precarious.

Hence there is a need for a reconfiguration of the relationship between theory and practice. Students of industrial relations have three options. The first is to cling to the role of neutral observers as the object of our study is submerged under the waves of globalisation. The second – the HRM route – is to seek a comfortable niche as servants of power. The third, and doubtless most difficult, is to offer our skills in research and analysis in a partnership with those social actors struggling to sustain a civilised regulatory regime in the labour market., to pursue shared understandings and to help shape strategic initiatives. The idea of a European industrial relations system promises at one and the same time a framework for analysis and a guideline for action.

Up to now, scholars have only interpreted the world of industrial relations in different ways; the point is, to defend it.

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