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## NOTES AND ISSUES

# Skills and the Limits of Neo-Liberalism: The Enterprise of the Future as a Place of Learning\*

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### Introduction: Capitalism and Collective Production Factors

Political cycles often appear as perpendicular movements of collective energy and attention between bipolar choices, such as demand- and supply-side economics, 'Keynesianism' and 'Schumpeterianism', state and market, or equity and efficiency. Today the 1970s, to which we are said to owe our present predicaments, are identified with a syndrome of politicized demand management, distributive conflict, redistributive justice (or rather, in the eyes of some, injustice), and extensive regulatory state intervention. The 1980s, by comparison, are believed to have rediscovered the supply side and the need to pay attention to production as well as distribution; to restore competitiveness and efficiency – if necessary, at the expense of equity; and to unleash the innovative capacities of the market and of 'creative destruction' through 'deregulation'. A pervasive *Zeitgeist*, extending from convinced 'neo-liberals' well into the old mixed economy camp, tells us that regulation stifles innovation, impedes 'flexibility' and depresses efficiency, and that it therefore should be avoided wherever possible. Supply-side economics rules the day, and it is regarded by both its proponents and its adversaries as identical with deregulation and free marketeerism. This position is what I will try to challenge.

My argument will call upon a fundamental but today often suppressed insight of social theory: *that successful self-interested, utilitarian behaviour in market environments requires the presence of collective resources, common values and shared expectations that rationally acting individuals cannot normally generate, protect or restore even if they fully recognize their vital importance*. This is because such resources are in significant respects 'collective goods' which cannot be privately appropriated and to whose generation rational capitalist actors have therefore no, or no sufficient, incentives to contribute. As a consequence, the unbridled pursuit of self-regarding interests results in suboptimal outcomes not just for

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the community at large but also for economically rational individuals themselves.

The political implications of this principle, could it be shown to apply to the capitalist firm in particular and the 'supply side' of the economy in general, are formidable. Capitalism, the freedom to pursue and appropriate private material gain, would have to be treated as a socio-economic arrangement that depends on foundations – physical-environmental, social, moral or other – which, since they cannot be privately owned, a capitalist economy is in constant danger of eroding and consuming; it would appear as a configuration of productive forces beset by a self-destructive dynamic from which it needs to be protected by social-regulatory institutions. To be able to take full advantage of economic opportunities, capitalists would have to be placed under constraints that would *simultaneously force and enable* them to make more efficient use of both 'private' and 'public', individual and collective production factors. Deregulation would therefore in the long run be self-defeating. Left to themselves, capitalists would be incapable of managing their affairs. What I want to argue is that, in significant respects, this is indeed the case, and perhaps today more so than ever. This is the reason why I think that at least in the more economically successful societies, the enterprise of the future will be embedded in a system of institutionally enforced social obligations, and why I think that societies that pay too much heed to fashionable pressures for deregulation may end up with significant deficits in economic performance.

### **The Economic and Political Significance of Skills**

Before explaining in what sense the generation of skills can be and has to be conceived as the production of a collective good, let me briefly describe what I see as the key role of skills in today's political economy. Under the conditions of the 1980s European industrial societies can remain high-wage economies only if they become and remain high-skill economies, and they can cease to be high-wage economies only at the price of fundamental social conflict with entirely uncertain outcomes. (The exception to the second, not the first of the two propositions may be Britain.) By high-wage economy I mean not just one with a high *average* standard of living, like the United States, but also one with a relatively *even distribution* of incomes and life-chances – which implies and requires, among other things, a functioning system of social welfare. A high-wage economy in this sense can be said to have become part of the cultural and political identity of most European countries. Given the irreversible increase in competition and world market integration in the past decade, the preservation of this pattern demands rapid economic restructuring towards a less price- and more quality-competitive product range, which alone can yield the high returns that sustain high wages. Producing such products requires a high input of skills. The same is true for product diversification

and customization which also help remove production from the pressures of price competition. Technical innovation as such does not protect high wages, given that new technology can be used not only for moving an economy towards what we have elsewhere called 'diversified quality production' (Sorge and Streeck 1988), but also for rationalization of traditional mass production with massive shedding of labour and deskilling.

There is no need here to speculate which of the two possible adjustment paths and production patterns firms and managers would 'in principle' prefer: a *rationalised*, high-technology version of (neo)Taylorist mass production or a *modernized* industrial economy of diversified quality production. In part, such choices are likely to be affected by past experiences, especially by the kind of markets and product ranges in which a firm or industry has traditionally operated. But what is more important is that even if production along the lines of the second pattern was known to be more profitable, and even though restructuring in this direction would clearly save societies the economic costs of political conflict and institutional discontinuities likely to be associated with 'rationalization', firms may, in the absence of an adequate skill supply, have to opt for the latter – although this may mean a longdrawn, downhill, losing battle against competition from countries which, for some time to come, will find it much easier to operate low wage or dual economies. However, moving product ranges 'upwards' towards more diversified demands and high quality markets requires not only capital investment in research and development for better and more diversified products, but also human resource investment in new and higher skills. The latter, I will demonstrate, firms acting 'rationally' in a liberal political economy are only in exceptional cases able to achieve on their own, and it appears that the skills needed for industrial modernization have so peculiar collective goods properties that they cannot even be generated by unilateral state provision in the same way as, say, a predictable legal order.

It is at this point that firms are today faced with a perhaps unprecedented degree of ambivalence. This is because the solution of the skilling problem, which is a precondition of upward industrial restructuring, may simultaneously offer capital's traditional adversaries, the trade unions and their political allies, a solution to *their* problem of defending the European high-wage economy, at the very moment that the high and rigid wages that capital has had to accept in the past have for the first time come under serious pressure. The same human resource investment, that is, on which firms depend for the probably more profitable solution of their adjustment problems, may again underwrite the high and relatively uniform price of labour that trade unions have in the past been able to extract from capital. To the extent that such investment is unlikely to come about without authoritative intervention, firms may furthermore become dependent for the success of their restructuring strategies upon regulatory agencies which may use the opportunity to pursue political-egalitarian objectives together with and merged into economic ones. In the

process, trade unions and Social-Democratic parties may find for themselves a new, firm basis from which to (re-)capture political power. And even if the production of skills for industrial modernization was managed, as it well might be, by conservative political forces, the role and status of the enterprise in society will at the end come to look rather different from what it is envisaged to be in the deregulation scenario.

### Skill Generation as Collective Goods Production

Why is it that skill generation poses a problem in a market economy? Almost all countries today face skill shortages which stand in the way of the vitally important fast and broad diffusion of new micro-electronic technologies. But liberal societies like the United States and Britain where the market has traditionally played a dominant role seem to suffer more than, for example, Japan and, to an extent, West Germany with their heritage of community bonds and corporatist regulation. Differences like these have often given rise to the suspicion that it may not be enough for the formation of work skills to rely on the self-interest of individuals investing time, effort and money in acquiring the marketable qualifications that optimally fit their innate abilities, and of firms adding to the already existing skills of their workers those additional, job-specific skills they need to compete successfully in their product markets. Of course, liberal economists have always tried to attribute skill deficits to distortions of the pay-off matrix for firms and individuals caused by more or less well-meaning political intervention, and they have devoted much effort and intelligence to the question of how to generate an equilibrium skill supply by allocating the costs of training between individuals, firms and society as a whole (as represented by the state) so as to correspond to what rational individuals under free market conditions would agree upon if they could act on their interests. Without going into technical details, I would like to suggest that *this* is clearly *not* the problem, and that quite to the contrary market failure in skill formation is endemic and inevitable, for many reasons of which the following two are perhaps the most fundamental:

1. *Individuals have to acquire their basic work skills at a young age when they are least likely to accept the long deferral of gratifications that is the essence of 'investing'.* Deferring gratifications presupposes a degree of certainty as to what one is likely to need and value in the future; such certainty comes as part of a social and personal identity which young people, by definition, have yet to form. At the same time, it is precisely for their lack of such identity that young people are better able to learn than adults; the reason why one cannot teach an old dog new tricks is not that the dog is old, but that he wants to remain the kind of dog he has grown to be. Since skill acquisition and identity formation are so inextricably linked, precisely the most important, 'formative' learning in a person's life cannot possibly be conceived or motivated in terms of rational investment in the longer-term pursuit of individual interests. The

decision what kind of work skills one wants to acquire in order later to sell them in the labour market is inseparable from the decision what kind of person one wants to be; this, however, does not follow a logic of supply and demand – and cannot because, at the very least, this logic is itself part of the curriculum. Young people, the most prolific learners, thus lack crucial properties and capacities which the rational decision-making model held in so high regard by economists and liberals, neo or not, takes for granted.

*Training, this implies, is likely to be more successful and to generate a larger supply of skills where it is conceived as education rather than voluntary-rational-utilitarian investment.* What we are really talking about when we are discussing work skills is the presence and viability in the institutional core of an industrial society of what has been called ‘preceptorial relations’ – which differ from market relations precisely in that they are not and cannot be entered into voluntarily. Liberal utilitarianism, by urging people to be rationally concerned about payoffs and returns on investment, undermines such relations and erodes structures of authority without which a society’s potential for learning and teaching is seriously reduced. Here again, utilitarian rationality may be self-defeating: he, or she, who learns only what he thinks he can use, may find little opportunity later to use what he has learned. Societies that treat learning as investment or, for that matter, as an entitlement or a ‘citizen’s right’ will end up with fewer skills than societies where learning is treated as an obligation. In essence and with some modifications, this applies not only to young but also to older people. Compared to the overwhelming importance of this cultural factor, the arguments of revisionist institutional economists against market-led training systems – which emphasize the uncertain returns on an individual’s training investment and the need for reassurance through adequate institutional arrangements that investments will pay off at some later day – pale into insignificance.

2. *Most firms will most of the time have a tendency to invest less in training than they should in their own interest.* The reason for this is a condition which is universal and essentially unremovable in Western societies: the free labour contract. As long as workers have the right to move from one firm to another, and as long as they do not feel socially obliged to stay with their employer for all their working lives if he wants to keep them, firms will always have to be concerned that their investment in training may not pay for them since the worker may leave before he has repaid his debts. Unlike in Japanese firms, training investment in Western firms can never be safely internalized as the skills imparted on a worker cannot be appropriated by the employer: to the contrary, they become the property of the worker which he may take with him when he leaves. The ‘Western’ view of the dignity of workpeople, and also the power of workers *vis-à-vis* their employers, depends to an important extent on this possibility. Unless we are willing to accept vertical bondage in closed internal labour markets as the organizing principle for the exchange of labour services in our economies, we will have to assume that firms will always tend to be reluctant investors in the skills of their workforce.

In effect, the fundamental uncertainty for employers recovering their training expenses in an open labour market – rudimentary and incomplete as the latter may be – turns skills, from the viewpoint of the individual employer, into a *collective good*. If an employer provides training, he is no more than adding to a common pool of skilled labour which is in principle accessible to all other employers in the industry or the locality, many of which are his competitors. While the individual employer may well recognize the importance of skilled workers for his enterprise, he also knows that if he incurs the expenses for their training, his competitors can easily ‘poach’ his trained workers by offering them a higher wage, with their overall labour costs still remaining below his. Since the rewards of his investment can so easily be ‘socialized’ whereas the costs remain his own, an employer in a competitive labour market will therefore be tempted not to train, or to train as little as possible, and ‘buy in’ needed skills from his competition. As these are likely to perceive their pay-off matrix in much the same way as he, they will probably prefer not to train either. As a result, there will be a chronic undersupply of skilled labour. The important point is that to arrive at this prediction, one does not have to assume that employers fail to recognize the importance of skills, or that they are not acting rationally. The point, rather, is that economic objectives, rational as they may be, often cannot be achieved by rational means alone, and that actors that are too rational and interest-conscious may well thereby ‘outsmart themselves’. In this sense, I regard skills as an example of what I described at the outset as collective, social production factors which capitalist firms, acting according to the rational-utilitarian model, cannot adequately generate or preserve.

Of course, this is an ideal-typical model, and I am well aware that there are all kinds of modifications, exceptions and qualifications that need to be taken into account. For example, a firm may have a monopoly in its local labour market so that it can in practice expect to keep its skilled workers for a sufficiently long time to recover the costs of training. Or high-skill firms, since they operate in more lucrative product markets, may be able to pay higher wages than their labour market competitors, and thereby bind their workers to their present place of employment. Internal labour markets may evolve, as they so forcefully do in many countries today, where a benevolent long-term manpower and human resource management converges with highly firm-specific, idiosyncratic skill demands to keep workers from moving across firm boundaries. All this is possible, and in fact it happens frequently. Nevertheless, I maintain that there is evidence to the effect that voluntary investment in training, as guided by the imperatives of market rationality, will produce high skills only in exceptional cases, and even in these the result will likely be suboptimal. If training is left to the market, there will not be no training, and there will also be high-quality training, but the latter will be limited to isolated ‘islands of excellence’, and differences between firms will be enormous. Many firms that might do better economically if they had access to a sufficient supply

of skilled labour, will not realize their full potential because they happen to be unable to internalize and privatize their skilled human resources. Moreover, even inside the 'islands of excellence' skill production will more often than not remain behind what it could and sometimes should be in the interest of the enterprise itself. Three reasons for this are paramount:

(1) Precisely in order to facilitate internalization of their investment returns, firms are likely to emphasize workplace-specific over general skills. If what workers learn from their employer can be used only in their present place of work, 'poaching' becomes difficult, and the bargaining power of workers does not increase in proportion with their skills. *Nota bene*, however, that the distinction between job-specific and general skills sounds easier to make than it is in practice. An employer who is anxious not to give away too many transferable skills, will probably fail to create enough non-transferable skills. Moreover, sometimes it is precisely general skills that are needed, skills that can be applied to a wide variety of tasks that are as yet unknown – for example, when a new 'basic technology' like micro-electronic circuitry is introduced in a wide range of products and processes, and in particular if this technology is used to increase product variety and process flexibility, as is presently the case in many firms under pressure from growing world market competition. In such a situation, excessive concern over the appropriation of skills, as with other collective goods, is bound to result in shortage of supply.

(2) A firm providing training according to its rational interests and present commercial objectives will often be tempted to save on training costs even if this goes at the expense of its own longer-term future. 'Opportunism', in the institutional economics sense, may damage not just others but also oneself. Under pressure from competition, firms may find it expedient, if they can, to reduce training costs even if they may be well aware that this may impair their future competitiveness. Similarly, firms in a crisis that come under pressure from their core workforce to protect their jobs will tend to cut their training programs as a first step towards cutting labour costs – unless there are other, countervailing forces making them do for 'non-rational' reasons what they should in their own interest be doing for rational ones.

This point can be illustrated by an example (Streeck 1987). When the crisis of the Western automobile industry broke out in the 1970s, firms in all major Western producer countries except one reduced their apprenticeship programs, cutting down their number of apprentices faster than their overall workforces. This was at a time when it was already clear that the dominating problem of the ongoing restructuring process was the mastery of the new production technologies, and that firms which did well on this would in future enjoy a major competitive advantage. The one exception was West Germany where in the same period the number of apprentices in the automobile industry increased in both relative and absolute terms. This was because in this country, the decision of a firm as to how many apprentices it takes in is to a large extent dependent on forces other than its management, such as the government,

'public opinion', the chambers of commerce and industry, the trade union and the works council. As fears were mounting in the 1970s of high youth unemployment, successful moral, political and legal pressures were brought to bear on German employers to extend their training programs. That German auto manufacturers had to yield to such pressures goes a long way towards explaining the superior technical and economic performance of that industry in the restructuring period and thereafter. Where only the market rules, present profitability, when 'the chips are down', counts more than future prospects for profitability. But where present profitability counts too much, there may be no future prospects at all – which is another way of saying that too much rationality may be irrational, and that rational action in order not to be self-defeating in the long run must be embedded in and guided by non-rational, 'social' or 'cultural' motives.

(3) Finally, there is also in large organizations an interest on the part of their management not to share too much knowledge with the workforce, so as to protect its own position of power and control. Such 'political' motives can easily be exaggerated, as they are, I believe, in the Bravermanian 'labour process' theory. When managerial interests in domination clash with interests in profitability, it is not by any means clear that the former will prevail. Nevertheless, sharing knowledge with somebody who occupies an inferior position in a hierarchy is difficult, and at least in Western countries there is likely to be a tendency to come out, if in doubt and especially if the costs are uncertain and will show only in the future, on the restrictive side: to do less rather than more and to keep to oneself as much as possible of what the German sociologist, Karl Mannheim, has so aptly called '*Herrschaftswissen*'. Again, trying to appropriate as a private good what is more efficient if treated as a collective good is likely to be dysfunctional from the perspective of the enterprise, but here too, perverse incentives to cheat on one's own longer-term interests may be overwhelming. Where firms, and superiors inside firms, feel they can make do without sharing the knowledge vested into the firm as an important part of its capital, they will as a rule try; the widespread adherence to Taylorist principles of work organization even in situations where non-Taylorist organizational forms have long proven superior is a clear indication.

There is no need to contest that there are situations in which the limited capacity of competing firms to generate work skills is not of great significance. Where firms can rely mostly on unskilled labour, such as in the mining industry, or where skills can be made redundant by Taylorist forms of work organization, such as in the mass production of standardized goods, it is quite conceivable that the deficits of a free market training regime will never make themselves felt. *But this, I submit, is precisely not the situation that obtains in the present period of industrial restructuring.* Not only do the new competitive conditions in world markets place a premium on high skills, favouring firms that can build a skilled workforce over those that cannot. What is more, it seems that what firms need today is not just skills but broad and unspecific



skills; not just 'functional' skills dedicated to a specific purpose, as they can be created by instant 'refresher courses' or the replacement of one subject in a curriculum by another, but skills as a *generalized, polyvalent resource* that can be put to many different and, most importantly, *as yet unknown* future uses. Practitioners everywhere agree that the crucial work qualification today is the capacity to acquire more and new work qualifications – something which German labour market analysts call *Schlüsselqualifikationen* ('key qualifications'). And there is also growing recognition that the new, highly capital-intensive production processes have created an increasing need for even more unspecific, 'extra-functional' skills, that are essentially of an attitudinal and behavioural kind and which include individual characteristics like diligence, attention to detail, thoroughness, and a willingness to carry responsibility.

Firms, that is to say, which want to be successful in today's changed economy, need not just the skills they need, but above all skills they do not – yet – need; they not only need what is functional in their present environment but, in a period of change, also what may become functional in uncertain and contingent future environments. Put dialectically, what is merely functional may be liable to become dysfunctional, and that which under the new conditions satisfies functional needs may be precisely what is not functionally defined. A liberal-voluntaristic training regime which is already endemically weak in generating specific, 'dedicated' skills, is likely to fall far short if it is asked to produce work skills as cultural resources which, from the viewpoint of rationally calculating individuals or firms, are bound to appear as 'excess qualifications'.

### **The Limits of State Provision and the Indispensable Contribution of the Enterprise**

Nevertheless, it could be argued that while the market may not be very good at generating other than narrow, job-specific skills, this does not in itself constitute a case for social or political regulation of the behaviour of firms. Liberal doctrine does not in principle deny that there may be limits to what markets can do; as long as the resulting imperfections can be repaired by direct state provision, its *Weltbild* is still in order. One possible solution to the skilling deficiencies of markets – one which would be essentially compatible with a deregulation view of the 'enterprise of the future' – would be to delegate the production of 'general' work skills to the state school system while leaving the generation of 'specific' work skills to free contracts between workers and employers. In line with the liberal view of the state, this would keep intervention in markets to a minimum, and above all such intervention would be strictly limited to 'making markets work'. But plausible as this solution may look – and different versions of it have been adopted in a large number of countries – skills are a peculiar thing, and it seems that *not only the market*

*finds it difficult to provide adequately for their formation but also the state.* There are other collective goods as well where market failure is not compensated by state success but rather coincides with state failure, and it is precisely where and when such goods become important for a society that the fundamental shortcoming of neo-liberalism as a political doctrine becomes most apparent: its self-limitation to two mechanistically opposed sources of social order, state and society, and its conceptualization of the latter as a system of voluntary-contractual exchange relations.

That schools are not an ideal place to create work skills, even and especially if such skills are desired to be broad and polyvalent, is one of the central premises underlying the West German industrial training system. Schools, in particular vocational schools, do play a legitimate and indispensable part in that system; but apprentices attend these schools only one day a week, and in the remaining time they are trained at the workplace. Among the reasons why this is likely to be a superior way of producing work skills, and why state provision of industrial training is neither attuned to the dynamics of the training process nor conducive to the kind of skills that are needed for successful upward restructuring, are the following:

(1) Many young people, and even more older ones, are not enthusiastic about going to a school. While they may be willing to learn, they are not willing to accept being excluded for this purpose from the ‘real life’ of the workplace. It is widely accepted among German practitioners in industrial training and further training that ‘*Verschulung*’ – the delegation of training to specialized schools – is more often than not pedagogically counterproductive. An important reason why especially young people may feel little motivation in a school to work hard enough to build up adequate work skills is that the potential reward – a ‘real’ job – is much less visible and much further removed there than in a workplace setting.

(2) Industrial training is not just the acquisition of manual or mental skills but it is also, and increasingly needs to be, a process of socialization in work-related values, in a culture and community of work in which extra-functional skills like reliability, the ability to hold up under pressure, and solidarity with others working at the same tasks are highly regarded and rewarded. To internalize value orientations, at work and elsewhere, people need role models; teachers, however, can serve this function only to a very limited extent and only for very few, selected roles. Unless one aspires to be a teacher oneself, work-related skills and orientations are acquired not from professional teachers but from more experienced peers in a place of work where technical competence can be blended into, and transmitted together with, attitudinal discipline and diligence.

(3) Learning requires doing. Work skills can be ultimately acquired only at work. Being told in a school how concrete is mixed and poured on a construction site is something quite different from living through the drama and the crises of fifteen or twenty-four hours of continuous, minutely timed

and tightly coordinated hard physical work. This is not to advocate 'on-job-training' if this means that somebody is hired to do a job and is expected to pick up by doing it what skills he may need. Learning there has to be, especially if skills are to be broad and flexible, and this, as we have said, demands preceptoral and not just contractual relations. But these must be integrated in the workplace and the work process, and they have to prove and legitimate themselves under the pressures of economy and time in an environment that is real and not artificial. A crucial role in this respect is played in the German system by the *Ausbilder*: the man or woman in a firm who is in charge of the training of apprentices. *Ausbilder* need a training licence which they receive only if they are themselves highly skilled, and in addition they often have to attend special courses and pass examinations for their training function; but only in rare cases do they work as full-time trainers, and normally they take part as all other employees in the firm's everyday production work.

Work skills, then, for motivational, cultural and cognitive reasons, seem to be best produced where they are used: at the workplace. State provision in specialized public organizations is not likely to do the job, especially if the result has to meet high demands like those imposed on high-wage countries by present world-market conditions. It seems that here as in many other areas, we are today experiencing what one could call *the limits of functional differentiation*. For a long time, received opinion in the West was that places of work and places of learning should best be kept neatly apart, and that if this was done, both learning and work would be optimally served. Today more and more people have come to doubt this, and such doubts extend far beyond the industrial part of the educational system. It is no accident that the Japanese way of skilling and the German 'dual system', which a few years ago would have been regarded as remnants of a less 'modern' past, are attracting growing attention. Much to our surprise, 'premodern' institutions with their higher mutual interpenetration of functions and social arenas often seem to perform better in a period of change and uncertainty than 'modern', functionally differentiated institutions. As our needs for work skills have increased, the future of training and industry may demand a reintegration of learning and work.

If all this is true, then the conclusion is clear: if we are to generate the high and broad skills that we require to preserve our specifically European 'culture of work' in spite of present economic exigencies, a direct and substantial contribution of the enterprise to industrial training is indispensable. Enterprises, in the West just as in the East, have to become *places of learning in addition to being places of production* as no other institution can do what they can to produce the urgently needed collective good of a large supply of work skills. But if this is so, then the neo-liberal proponents of a de-regulated economy have a problem. If only the firm can do what has to be done, the fact that, as we have seen, it does not have the rational motivation to do it voluntarily is bound to upset the purity of supply-side *Ordnungspolitik*. Only

firms will do, *but not de-regulated firms*. If society wants skills, enterprises have to be drafted and mandated by regulating agencies to produce them. To substitute for the moral obligations and the close communitarian bonds that seem to both force and enable firms in Japan to impart excess skills on their workforces, institutions are needed in Western societies that constrain the rational self-seeking behaviour of firms and make the enterprise do its duty as a cultural institution. Just as skill formation in individuals requires education, skill formation in firms requires regulation. Deregulation, if driven too far, breeds inefficiency.

### **The Need for Regulation and the Continuing Viability of Democratic Corporatism**

Firms, we have said, need to be drafted by society to serve as places of training. Where an open external labour market is part of a country's social and political heritage, and where broad and general skills are needed in addition to and as a basis for workplace-specific skills, common training standards and curricula need to be imposed on firms providing training; adherence to them must be carefully monitored; and ways have to be found to prevent firms from exiting the training system in protest against too demanding requirements. Moreover, as economies develop dynamically, mechanisms have to be devised to adjust curricula to technical and organizational change. Not least, safeguards must be developed to protect apprentices from exploitation by firms that use the integration of training and work to take advantage of their apprentices' productive contribution without providing them in turn with transferable skills, and general rules and procedures must be established for decisions on training licences, experimental curricula, examinations, and sanctions against firms that do not properly discharge their obligations. All this certainly applies to Western countries where training arrangements must take into account the existence of an open labour market and where there is a need to design formal-institutional equivalents, or at least supports, for informal-moral mechanisms of social control and integration. The West German training system offers ample illustration of the enormous institutional complexity that seems to be needed to perform this function with a degree of relative success.

Not that moral factors were absent or not important in the West. As recent German experience has shown, public exhortation is well able to motivate small and large firms to increase their training efforts beyond immediate needs in an attempt to accommodate a demographic surplus of school leavers. And there is little doubt that in certain artisanal communities, where training and the rituals of examination and admission are the focus of communal life and collective identity, a sense of moral obligation still plays a major part in the operation of industrial training. But even in these cases, Chambers often with statutory membership exist that regulate and supervise, educate and admonish,

and sometimes sanction the firms whose training efforts they are charged with guiding. Such organizations usually operate under some kind of state licence and public mandate, and just as in other areas, it seems that collective, or 'corporatist', self-governance of enterprises can safely function only if it is backed by some form of state support and legal facilitation. States, in turn, act primarily under political pressure, and since capitalists usually find it difficult to lobby the government to be disciplined, even if this would be in their own interest, regulatory intervention in the behaviour of firms is greatly advanced if a strong trade union movement presses for it at the national level.

This is not to say that capitalist firms could not in principle attempt to govern themselves, with or without state involvement. In fact, when it comes to training they may have a particularly strong motive for this, which is to do with another emerging collective goods property of skills. A major aspect of knowledge-intensive diversified quality production seems to be its tendency to give rise to close inter-firm alliances between equally highly skilled production units. To the extent that diversified quality production presupposes the possibility of entering into a large number of cooperative relationships with other firms, enterprises seeking their economic future in a production pattern of this kind will find it hard to operate successfully as isolated 'islands of excellence'. If one firm's skills cannot be adequately utilized without other firms commanding the same kind of skills, then firms become strongly interested in the technical capabilities of other firms – even though these may be their competitors for most of the time. Once again, the problem is appropriability in the sense that firms require skills that they cannot own, and that they therefore have no rational incentive to generate. Where the lack of skills of others becomes a bottleneck to one's own growth, the uneven development endemic in market-led training systems becomes economically suboptimal even from the perspective of the individual firm. To the extent that diversified quality production remains unstable unless it is embedded in an, often regional, ecology of similar firms, individual enterprises may become self-interested in collective, equal development, and economic interests may arise in collective behavioural regulation that the market as such cannot provide.

It may well be that at the end of the day, capitalist firms may not be motivated enough by their enlightened self-interest to begin to govern themselves as a collectivity – although we do see in a number of countries today that competing firms are beginning to set up joint, cooperative training centres for their workforces. But firms may be even more willing to act, and on a broader scale, if pressed to do so by a government which, while not intervening directly, indicates that it may unless firms themselves 'get their act together'. Trade union pressure would greatly help in this. To be sure, labour movements have mostly emphasized the contribution of training to equality rather than efficiency, and they have in particular been concerned with its distributional aspects. In the era of prosperity in the 1960s and 1970s, this has expressed itself in an almost exclusive concern with equal access and entitlement to educa-

tion, often as a kind of advanced consumption – a perspective borrowed from the liberal middle classes. This, however, may be about to change. In the economic conditions of today, the role of education in achieving equality seems to have become a much more serious one. As the European high-wage economy is coming under growing pressure from its Asian competition, training may be discovered as a means of raising work skills to a level where they justify the high and relatively uniform price of labour imposed on European economies by collective bargaining and the welfare state. Otherwise, a clearing of labour markets may eventually take place at conditions that will not only undo most of the achievements of labour movements but also, very likely, labour movements themselves. The defence of the high level of equality that is vested in the high-wage pattern of European economies; the restructuring and revitalization of industrial economies to increase their competitiveness; and the generalization of both diversified quality production and advanced work skills beyond isolated islands of excellence may thus already have become one and the same thing. Equality pursued by labour movements under these premises may not be incompatible with the interests of capitalist firms in a supportive ‘ecology of skills’, and there is no reason in principle to preclude the possibility of joint action in the pursuit of such interests.

It is true that to many, in particular on the left, skills often appear as a primarily conservative concern, the popular image being one of employers pressing for ‘pay incentives’ for skilled workers and trade unions opposing ‘elitism’ and ‘discretionary rewards’. But in reality the matter is far more complex. Not only have trade unions and Social-Democratic parties in the past attached great significance to learning at a time when the bourgeoisie still believed that the ‘masses’ were essentially unable to be educated (*Wissen ist Macht*, Knowledge is Power, being the slogan of the widespread educational activities that were organized by the German labour movement at the end of the last century, and there are equivalents to this in almost all industrial countries). What is more important in our context is that for a long time in the post-war era, it was the employers who did all they could to eliminate skills from the shopfloor under a Taylorist work regime, and it was often the unions which, mostly in vain, resisted the ‘degradation of labour’ that went with capitalist rationalization. Doubtless during the ‘long boom’, many unions have made their peace with Taylorism, as it not only seemed to be producing ever growing wages for everybody but in addition, working against the elitist minority of traditional craft workers, could be pictured as promoting equality. But today the situation is different, not only because now employers are beginning to regret their former policy of deskilling, but also because a comprehensive rebuilding of the skill base of Western economies may now have become the most promising means of defending and extending whatever degree of equality unions may have been able to achieve in the past. Should it not be possible to rediscover and revitalize in this situation the traditional commitment of the left to *Wissen und Koennen*, to knowledge and skills –

now that the two may have become even less separable than in the past? And should it not be possible also on this basis to establish a new pattern of *conflictual cooperation*, a new *historical compromise* with employers under which these would be *simultaneously constrained and enabled* to generate the kind of skills they need to survive in the highly competitive and volatile markets of the future?

It is not by chance that the West German industrial training system on which I now draw for empirical reference is a picture-book case of a democratic corporatist arrangement: democratic since it is embedded in a parliamentary democracy and since it includes strong and independent trade unions on, in principle, a co-equal basis. While market motives and processes play a significant and recognized part in the system, they are controlled by, and embedded in, what are essentially collective agreements between monopolistic employers associations and trade unions exercising, under a state licence, delegated public responsibility which enables them to impose effectively binding obligations upon their memberships. But while this is undoubtedly corporatist, it seems to have little in common with the political-distributional bargaining that was associated with the concept in the 1970s. It may be true that neo-corporatism may result in short-sighted appeasement of powerful special interests at the expense of long-term fiscal stability, the non-organized, taxpayers, future generations or whoever, and in this respect it may have deserved some of its present bad reputation. But it is also true that the 'public use of private organized interests', the 'private interest government' mode of regulating socio-economic relationships, is not inherently limited to the management of demand and the regulation of distributional conflict: it can also be applied to the problem of 'effective supply' and the generation of collective production factors. Indeed, one could argue that where democratic corporatism has been doing more economic harm than good, this was where it was confined to matters of demand and distribution, with self-governing groups sharing no responsibility for the supply side and efficient production.

In short, it may be premature to discard democratic corporatism just because the leading concerns of economic and social policy have shifted towards the supply side. On the contrary, I have tried to show that the apparently growing needs of Western capitalism firms for collective, non-appropriable production factors, like a rich supply of high and broad functional and extrafunctional skills, opens up political arenas where corporative self-government of social groups may be a superior mode of regulation compared to both state intervention and the free market. Why else should there be such a widespread interest in almost all Western countries today not only in workplace-based industrial training but also and simultaneously in trade union involvement in the governance of training systems? Democratic corporatism may have a future after all, and in particular in an area like training where it seems that both trade unions and employers may, for partly different and partly identical reasons, be about to discover a joint interest in jointly preventing market as well as state failure.

If a widespread, equal distribution of skills is becoming a precondition for economic success even for firms that are capable of generating a sufficient supply of work skills for themselves, then egalitarian interests on the part of trade unions in a generalization of advanced upgraded production patterns, in preventing social dualism and in defending the egalitarian elements of the European high-wage economy, may not only be compatible with the interests of capital, but their forceful articulation may be a precondition of such interests being realized.

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