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## The Governance of Labour Market Insecurity during the Crisis

### 1. Introduction

Elsewhere (Crouch 2011) I have proposed an extended approach to the study of labour markets, taking as the central question the different ways in which a major dilemma of capitalist labour markets is resolved: on the one hand, capital's need for highly flexible labour markets; on the other its need for high levels of consumption. This becomes a dilemma if capital is dependent on a working population having the confidence to consume – that confidence being presumably dependent on a degree of employment stability that might conflict with flexibility. I set out a variety of ways in which the dilemma might be managed. Partly, capital might not depend on the same people who work for it also to be the consumers. Partly, the same people might both consume and work, but their consumption might not be wholly dependent on their labour market earnings. And partly, institutions might balance flexibility and security within the labour market. Finally, I argued that the dilemma might also be tackled through social exclusion, that is by measures or behaviours that lead to certain groups in the population bearing the burden of flexibility, enabling others to enjoy more security.

In subsequent work (Crouch 2014) I tried to relate these different approaches to the central dilemma to different modes of governance of the labour market. Market governance operates potentially in two different ways. First, there are measures whereby working people can use the market to enhance their economic and social security, by privately provided social insurance or by taking on high consumer debt. These are both

«positive» ways of using the market, even though the latter is not sustainable. Second, the market provides a framework of discipline that, according to orthodox economic theory, ensures that the labour market works efficiently to ensure a high level of employment, provided state policy and trade unions do not interfere. We can call this «negative» market governance, as it consists mainly in the weakness of other forms of governance, leaving the market alone to govern relations.

State governance of labour market security can operate through a variety of means: high levels of public debt (an unsustainable form paralleling high levels of consumer debt); demand management; a high level of public employment protected from market fluctuations; a range of social policies such as social protection spending, income maintenance during unemployment, general government spending on such things as education and health that relieve employment income from some of the burdens of maintaining workers' standard of living; employment protection laws; active labour market policies.

Associational governance comprises collective bargaining. This can balance security and flexibility if it is coordinated and its participants required to accept responsibility for overall economic outcomes either because their activities have clear macro-economic effects, i.e. their bargaining is encompassing (Traxler 2003; Traxler *et al.* 2001), or because key export-related sectors set patterns (Traxler *et al.* 2008).

Finally, and less often discussed in employment research, community governance might operate to provide informal balances between flexibility and security. This can happen through remittances from family members working abroad, adult children (especially sons) living with their parents, or (unsustainably) work in the shadow economy providing a parallel economy alongside the formal one.

I hypothesised that these patterns of governance would vary depending on the strength of class or trade union challenge in an economy (Crouch 2014). I measured union strength by combining scores for unions' membership density and the extent to which their role is embedded in regulatory labour market institutions. For both I used the Amsterdam database on industrial relations (Visser 2013). In particular, I argued that, the stronger the degree of union challenge, the more market (and community) governance would be subordinated to state and associational governance. I then traced changes in the ways in

which these variables operated together during the first decade of the present century, as the crisis developed. I tried to collect data from all European Union member states (except the smallest), Norway, Switzerland; and three non-European ones: Japan, the USA and, where data are available, Russia. Countries were ranked as strong or weak on the various measures of the different forms of governance depending on how they stood in relations to the mean of all European countries. In other words, the assessment of whether a country was strong or weak on any item was an entirely relative one.

It is not possible here to summarise all the statistical evidence used in operationalising these variables and relating them to outcomes of employment and income inequality. I simply give a summary account of the findings, and try to draw some conclusions from them, concentrating on the situation that has been emerging in the most recent years (2010 to 2012 depending on the availability of data), as institutions have grappled with the crisis. It was possible to identify some basic groups of countries with similar institutional profiles, and (with varying degrees of success) to relate these to different degrees of trade union strength and performance of the country in maximising employment and maintaining low levels of inequality. This was seen as a combined measure of countries' ability to reduce labour market insecurity within a shared community of interest. While it is difficult to identify causal relations among such mutually interacting variables, it is possible to argue that trade union strength is likely to be associated with low levels of inequality and to a lesser extent high levels of employment.

## 2. Profiles of labour market governance

The following profiles emerged, not as tight boxes within which countries could be fitted, but as general zones to which they could be related.

*Zone I.* The main form of this profile comprised relatively strong state and associational governance, with weak market (both positive and negative) and community governance. A number of countries conformed strongly to this profile: Belgium, Denmark, Finland, Norway and Sweden. These are

the countries that have the strongest trade union movements in the world, the lowest levels of inequality, and – with the striking exception of Belgium – some of the highest levels of employment. Belgium was a slightly deviant case, in that its community governance (remittances and shadow economy), although low in comparison with medium – and low-income European countries, was high among the more wealthy ones.

□ Deviating slightly from this main pattern were countries that added positive (but not negative) market governance to their profile. These were Austria, Germany, and the Netherlands. These all made well above-mean use of private social policy. Like the core of the zone, these countries had relatively strong union movements, though weaker than those in the core; and those in the Netherlands and Germany are in clear relative decline. Austria is highly egalitarian, as in the core; the Netherlands and Germany are moderately egalitarian, though inequality increased considerably in Germany during the past decade. Levels of employment improved rather than declined during the crisis, and are now strong.

□ Differing from the core profile because its associational governance was very weak, but resembling it in other respects, was France. Its unions are extremely weak, if their strength is assessed on the same basis as those of other countries; the level of inequality is moderately high, and the employment record only average.

□ None of the countries in Zone I were using high consumer debt as part of their market governance by 2010, though some had done so at the start of the century. Only Belgium (very strikingly) and (to a lesser extent) Germany and France had high state debt – again others within the zone had done so in previous years.

With the possible exception of France, Zone I clearly corresponds to what is often described in the literature as «social democracy», the political stance primarily associated with parties rooted in trade union movements within capitalist economies. In such cases strong, institutionalised class challenge stimulates action by states and associations to amend the outcomes of pure market capitalism, hence the strength of state and associational governance. But social democracy is not socialism; i.e. it is not associated with the suppression of capitalism or free markets, but their regulation and amendment. Hence positive market governance also appears in some countries in Profile I. Further,

we have defined associational governance, not in terms of the pure strength or extent of collective bargaining, of the ability of unions to make employers bargain the terms of the labour market, but as the strength of encompassingness in bargaining, which is not only a measure of organised labour's ability to wield power, but the discipline of its exercise in the interests of the efficient functioning of a market economy. Community governance is relatively weak in social democracy, which is a force associated with modernisation, with emergence from and often struggle against the rules of traditional society.

Social democracy depends for its strength on concepts of membership of a society. For the state to be an instrument acting on behalf of a particular interest or group of interests, these must be in some sense members of that state, citizens able to make claims on its support. While many non-citizens may be able to make some such claims, for ordinary working people unable to wield the power of capital the main means for making claims is through citizenship: to be accepted members of the society, in particular through having voting rights. Second, to benefit fully from the protection of associational governance, workers need to be members of trade unions. In other parts of the research (Crouch 2014, ch. 4) we found evidence in some cases of the exclusion of immigrants from full membership of the universalism of social democracy. The measure of immigrant exclusion was inflated by the size of immigrant populations; it was not therefore a measure of exclusion *per se*, but a combined measure of exclusion and size of the immigrant population, in order to assess the dependence of an economy on immigrant labour. It may well be that societies with very small immigrant populations discriminate more heavily against them than those with large ones; that would not show up in our measure. Nevertheless, the tendency, whether deliberate and conscious or not, to make use of immigrant labour to protect the security of a native population may become part of the social democratic ideal type, as immigrant populations grow in size.

*Zone II.* In a second group, market governance has been strong in both its positive and negative forms; all other modes have been weak. Included are Japan, Ireland and the USA, though in recent years all three have been running very high public debt – an unsustainable form of state governance.

Trade unions in these countries are weak, though those in Ireland are stronger than in the other two cases. The USA probably has the weakest unions in the advanced world. These countries have relatively unequal distributions of income, the USA having particularly extreme levels of income inequality.

Similar to these cases, but sharing with Zone I cases a stronger role for state governance, came Switzerland and the UK. These had above-average levels of state social protection spending as well as high public debt. Their market governance also included high levels of consumer debt. These are countries with moderately strong unions, and high levels of inequality. The UK sustained relatively high employment through the crisis, while Ireland and Switzerland had the strongest employment performance of any country.

Also within this zone were two countries with high levels of negative market governance (i.e. very weak state and associational governance) only: the Czech and Slovak Republics. Both cases had weak trade unions, but also low levels of income inequality. Their employment performances were relatively strong. Slovakia had reached this position after undergoing considerable change, as at the start of the century it had both a much strong union movement and stronger state social policy. Community governance, though not the shadow economy, was also strong in Slovakia.

Zone II corresponds closely to the ideal type of a neoliberal social regime, i.e. the form taken by a market economy when class challenge is weak, reflected in a weak role for states and associations. Here market forces alone are strong. Labour interests have been unable to launch a strong class challenge, so state and, in particular, associational governance do not intervene. The rise of markets has also seen the defeat of the institutions of traditional society and therefore of community governance; this was historically one of the first consequences of the rise of market capitalism (Polanyi 1944). Workers depend for their labour market security on their ability to benefit from the efficient functioning of markets.

Neoliberalism and social democracy resemble each other in that both are «modernising» forces associated with strong market economies and weak traditionalism; community governance is therefore low. They differ in that under neoliberalism only the market is strong. Most analyses of social regimes identify neoliberalism or economic liberalism with the Anglophone

nations. This is only partly borne out by our analysis, as the UK has had elements of social democracy as it has coped with the crisis. Outside the Anglophone group, both Japan and Switzerland today share major neoliberal characteristics. Just as the Nordic countries were more likely than those in the rest of north-west Europe to hold particularly strong positions on state and associational governance, so the USA is more likely than the other neoliberal cases to be extremely strong on market governance and weak on all other governance forms. However, the «purity» of its neoliberalism, as well as that of Ireland, Japan and the UK, has been considerably compromised as all have made use of state action, albeit mainly in its unsustainable form of public debt.

The Czech and Slovak Republics seem now to be developing according to this neoliberal form more than any others in CEE because of their lack of strong community governance. However, they also lack the positive market governance available in the wealthier countries in the zone. These countries seem to have the workers who are most exposed to market forces.

In theory a neoliberal economy produces no social exclusion. To benefit from the market it is not necessary to be a citizen, especially in the global economy. Provided one has a capacity to work and earn money, one can benefit from whatever opportunities and protections the market makes available. On the other hand, to the extent that the market produces inequalities in capacity to work and earn from work, it can exclude those at the bottom of the income ladder. Ideal-typical neoliberal countries should therefore have low levels of exclusions of identifiable social categories, but high levels of exclusion of the poor in general. There should also be a low level of fiscal redistribution from rich to poor, as this constitutes interference in the free market. This is what we found in this study (Crouch 2014, ch. 5, 6) where the wealthier neoliberal cases are concerned. However, the two CEE cases all exhibited low levels of social exclusion of all kinds.

*Zone III.* Until now none of the cases considered (with the marginal exception of Belgium) has had strong community governance. All other countries in the study made relatively strong use of this, and we might want to take as the pure case those who seemed to show strength on no other

governance form. However, although in earlier years several examples of this could be found, by the years around 2010 the crisis had led nearly all of them to make relatively high use of at least one form of debt. The only possibly pure case would be Russia, though our knowledge of that country's institutions is inadequate to make a full assessment. Russia was also the only country among those surveyed where the economy did not seem to depend on consumption by the domestic population, considerably easing the strain of the fundamental dilemma.

For more typical examples of how community governance was operating in the wake of the crisis we need to turn to those supplementing it with some other forms, starting with those using fewer other modes. In Italy and Portugal, and possibly Croatia if we had more data, there was reliance on state debt alone, in addition to the shadow economy and adult sons remaining at home. This makes those countries slightly similar to France, though France had very weak community governance but strong state social policy and not just public debt. Slovenia resembled the other core countries of this zone, but also had strong associational governance – the only country to do so outside those clearly in Profile I.

In a different part of Zone III were countries in which state social policy was very weak, not just modest as in the cases of Croatia, Italy, Portugal and Slovenia. These cases therefore combined negative market with community governance. This applied to the three Baltic states: Estonia, Latvia and Lithuania. Differing from them in that they also had strong positive market governance but in the form of high consumer debt alone, were Bulgaria, Hungary, Poland, Romania and Spain. Combining these characteristics with high state debt too was Greece, which therefore exhibited all three unsustainable forms of governance: consumer debt, state debt and the shadow economy.

Union strength in the countries in this complex zone varied from moderately strong (Slovenia, possibly Croatia, Italy) to extremely weak (the Baltic states). Income inequality ranged from extremely high (Portugal, Estonia, Latvia) to extremely low (Slovenia). Employment was generally weak, but stronger in Estonia, Portugal and Slovenia. The situation among these countries is considerably more diverse than among the other zones, though running through all countries surveyed is a



strong negative statistical relationship between union strength and degree of income inequality.

An important implication of the analysis of Zone III is that nothing systematically distinguishes the countries of south-west from those in central east Europe (CEE). The south-western countries (Greece, Italy, Portugal and Spain) are considerably wealthier than most of those in CEE, though Slovenia is at least as wealthy as Greece and Portugal. Also, the CEE countries have been in the capitalist economy for considerably less time than those in the south west, and have several years less experience of parliamentary democracy (considerably less than Italy). And yet nothing systematically distinguishes the governance regimes of the south west from CEE. All four south-western countries have large shadow economies and other indicators of community governance (mainly sons remaining in the family home later than in the rest of western Europe, not remittances from emigrants); all have high state debt; some have strong negative market governance, others not. Consumer and public debt are in fact found in countries in all zones, though less in I than in the others. There is perhaps evidence here of an emerging division between a north-western core and an eastern and southern periphery in European labour markets.

It may seem strange that community appears as a form of governance in so many CEE countries, as state socialism was pledged to eliminate community and tradition. However, it is well known that, within the state socialist system, the only access people had to institutional supports outside the party-controlled state were family and local community – in Poland also the church. Trade unions were part of the party-state apparatus, though some of them became involved in the agitation against the regimes that led to their collapse. Exceptionally, in Poland the autonomous union movement, *Solidarność*, led the anti-communist uprising. But *Solidarność* is a largely Catholic organisation, and therefore not hostile to traditional institutions in the manner common with social democratic union movements. Similarities between CEE and the south-west are therefore less surprising than might first appear. Further, three of the four south-western countries (Greece, Portugal and Spain) were under conservative dictatorial regimes for the third quarter of the 20<sup>th</sup> century, the crucially important period for the development of «modern» economy and society in both their social-democratic and neoliberal forms.

A major characteristic of traditionalism is that security is provided on the basis of specific identities. Societies related to Zone III should therefore be characterized by multiple forms of social exclusion. This is what was found (Crouch 2014).

### 3. Labour market governance profiles and welfare regimes

The zones developed here have some relationship to the governance regimes found in many studies of social policy (European Commission 2009; Ebbinghaus and Visser 1997; Esping-Andersen 1990; Schmidt 2002; 2006; Kohl and Platzner 2007). These usually identify: a social democratic or Nordic group; an Anglophone liberal group; a conservative, or Bismarckian «continental» one; and some observers see a separate «familistic» or southern European group (Ferrera 1996; Naldini 2003). Central and eastern Europe have only recently been added to these classifications, the most comprehensive being the study of Bohle and Greskovits (2012), who distinguish the four so-called Visegrád countries (the Czech and Slovak Republics, Hungary and Poland), who were the countries first considered sufficiently «advanced» to join the EU; the lone case of Slovenia; and the poorer countries in the Baltic states, Bulgaria and Romania.

The present study uses different kinds of data than the social policy studies, which are often based on the historical development of social insurance systems. Instead, a wide range of labour-related policies and practices during the most recent years have been considered. The continuing power of the welfare state regime school is seen in the similarity with our account here, but there are important differences. First, the Nordic countries seem more closely related to the rest of north-west Europe (apart from Switzerland), though certainly there is a difference between them. It is in particular difficult to separate Belgium from the Nordics, though Belgium is a problematic case. The idea of a liberal (or neoliberal, or market-oriented) regime presents two difficulties. First, its cultural reference as «Anglophone» or «Anglo-Saxon» conceals the position of Japan and Switzerland, while the UK does not fully fit the profile. Had one examined the situation in the years before the crisis, the UK would have fitted the neoliberal profile more exactly. Was this because that model had been

heavily dependent on a high level of consumer debt, which now needs support from state policy?

The position of south-west European countries in our account supports those authors like Ferrera and Naldini who stressed the direct role of family provision in these welfare regimes. Traditionalism, familism and conservatism appear in most characterisations of Bismarckian welfare regimes, because of the reliance of Bismarckian social insurance on the male family bread-winner. But this is a different, rationalised and modernised, sense of familism compared with the kinds of variables we have considered here: remittances from family members who have gone abroad, adult sons staying in the household, workers depending on whatever community support protects them from the vulnerability of the shadow economy. When we interpret familism and community in this way, acting apart from the modern state, the northern Bismarckian countries appear closer to the Nordics, and the south west and CEE appear as the real familists and traditionalists.

Within CEE, something of the Bohle and Greskovits analysis survives, though with different emphases. Slovenia's separate status and even proximity to Zone I is confirmed, and two of the four Visegrád states seem to differ from the others. Like the rest of CEE, they have very weak social states and associational governance and therefore count as having strong negative market governance, but the two ex-Czechoslovakia states all have low levels of shadow economy, lower than the countries of south-west Europe and Slovenia. This results from their long history of successful industrialisation. All the other CEE cases, including Poland, did have strong shadow economies. Finally, the Baltic states distinguished themselves by having neither public nor consumer debt at high levels. (In considering the former it needs to be remembered that these countries were not required to take any share of the debts of the Soviet Union when they separated from it during its collapse, and therefore were unique in embarking on the 1990s with no inherited public debt).

Most European societies that went through a period of democratisation at some point in the 20<sup>th</sup> century saw the emergence of three broad political forces. Two of these had been locked in struggle for much longer, sometimes – and particularly in the case of France – dating back to the late 18th century: traditional conservatism, representing initially the

elites of pre-capitalist society, but gradually joined by those of industrial capitalism as they grew in wealth and power; and the challenge of liberalism, based on the twin ideas of civil liberties and equalities and of market freedom. The third arrival on the scene was the organised working class, increasingly allied to some form of social democracy, socialism or communism. The political position of these forces has changed over the decades. The rise of the working class and the threat of socialism led many liberal interests to ally themselves with conservatism, and liberalism split along the divide between civil and economic liberties. Working-class parties gradually adopted reformist social democracy rather than attempting to replace the capitalist economy with a socialist one. In countries where an anti-capitalist socialist economy was implemented, new elites emerged that in the end restricted civil rights and popular movements, including autonomous trade unions, more effectively than in most of those economies that remained capitalist. It is remarkable therefore that the division between some form of traditionalism, economic liberalism and social democracy remains relevant for organising major differences in means of coping with problems of labour security. For all its innovative capacity in so many ways, the late 20<sup>th</sup> and early 21<sup>st</sup> century epoch has so far failed to add anything distinctly new to this ensemble of forces.

#### 4. Conclusions

There is a puzzle in some of the results of this research. One might have expected that, the stronger the class challenge (represented by institutionalised trade union strength) experienced by a given national capitalism, the more there would be evidence of ameliorating that challenge by finding solutions to the central dilemma that avoided the need for internal solidarity. We do find this in two respects: all countries with strong class challenge, with the exception of Slovenia, are wealthy; and Slovenia is the wealthiest of the CEE cases. Second, there is a growing tendency for strong class challenge countries to be among those with high immigrant exclusion. But for other variables dependence on state debt, use of social exclusion other than immigration, levels of environmental unsustainability (a variable not used here, but discussed in the larger

study, see Crouch 2014) there is no clear story of that kind. Also, during the period of the crisis the countries with high challenge were (with the exception of Belgium) more likely to see a relative reduction in state debt, and reduced dependence on consumer credit, than other wealthy economies. The main difference among wealthy countries was that those with the stronger class challenges were in fact those that made least use of what we might call solidarity-avoidance devices, while those with weaker class challenge were less sustainable. Also, those with weak class challenge practised widespread exclusion of the poor. Clearly a different logic is at work.

If we assume a certain level of democracy and human rights, we should expect that, the less inequality a society has, the more inter-dependent is its population and therefore the more solidaristic it is, and the more use it can make of national institutions for risk-sharing. Highly unequal societies have less need for such institutions, as wealthier groups can more easily «dump» risk-bearing on to poorer ones. This will be especially the case if lower classes lack means to challenge the distribution of risks. Unequal societies where lower classes have little power to challenge would seem relatively immune from any need to develop solidaristic institutions, while egalitarian societies with weak class challenge capacity should be relatively uninventive in relation to them.

Such an account must not be understood mechanistically. A society might have a «need» for certain institutions but not be able to have them, in which case we might expect certain symptoms of stress, but not necessarily any change. There are also many institutional possibilities apart from solidaristic institutions through which these issues can be resolved. Overall however there is strong support in our data for the hypothesis that countries with strong institutionalised class challenge – the countries of north-west Europe in general and the Nordic lands in particular – are also those that have managed to achieve a «social universalism» going beyond the formal universalism of a market economy. The strongest evidence of this that they, unlike the «purer» market economies, have managed to combine economic success in terms of both employment with a relatively low level of income inequality. They also tend (with some exceptions, especially Belgium) to have maintained during the crisis better records of: sustainability; collective protection of income levels in the

face of labour-market risk; labour market support not from employment protection law alone (which is often a misleading way of safeguarding employment) but from strong unemployment replacement pay and active labour market policy; and co-ordinated collective bargaining.

Both the social democratic and the neoliberal model have been associated with some successes in coping with the crisis caused by the 2008 crisis. In the first instance it was a neoliberal crisis, as it originated in the UK and the USA, countries where deregulated financial markets had become involved in highly irresponsible behaviour. States intervened to resolve the crisis on the grounds that the sector was too important to the general economy to be allowed to collapse. This was a triple defeat for the neoliberal model. First, its economic theory had argued that failure of deregulated finance was impossible. Second, if firms can become so large that they cannot be permitted to fail, then the economy is not a true market one. Third, state intervention of the kind involved in the rescue contradicted the tenets of the free market. Of more direct relevance to our present concerns, the crisis revealed the involvement of the financial model with excessive use of consumer credit that was being used to finance consumption.

Not surprisingly, some of the main neoliberal countries (Ireland, UK USA) were deeply involved in that economic pattern; it was a classic neoliberal response to a need to protect consumption from the insecurities of the neoliberal labour market. However, some social democratic cases (in particular Austria and Germany) acted similarly, and some others maintained extremely high levels of household debt, if not outstanding consumer credit (Denmark and the Netherlands in particular). There is no clear-cut distinction here between neoliberal countries and social democratic ones.

Because of the state rescue of the banks, the crisis became one of state debt. In theory, neoliberal economies do not run high debts, but the involvement of several of them in the crisis meant that Ireland, the UK and the USA became among the major state debtors; Japan was already chronically in that condition. Meanwhile, most social democratic countries achieved a major reduction in their debt, contrary to the neoliberal stereotype of social democracy as vulnerable to large debts because of its public spending commitments. In fact, it

was the most social democratic countries, the Nordics, who most reduced debt.

But the main debt crisis was concentrated on the south-west European countries – though Spain's public debt remained lower than that of Germany. The reasons for this are too varied to concern us here, but the consequences are of considerable importance. First, what had originally been a crisis of private debt and bank irresponsibility was redefined as one of public debt and state irresponsibility, which was in turn redefined by the neoliberal authorities in the European Commission, the European Central Bank and the IMF as a crisis of welfare state irresponsibility and excessively protective labour laws. The policy response has therefore been for a reduction in virtually all forms of public policy that support employees against insecurity, including coordinated collective bargaining. A crisis of the neoliberal model has been redefined as one of the social democratic model. In particular there is a renewed attack on the so-called «European social model», which is deemed to be at the heart of the problems of certain European economies.

The present study enables us to set some counter-arguments to this orthodoxy. First, the south-western countries in which the debt crisis has been concentrated are not examples of a social democratic labour security regime. Second, they do not feature coordinated collective bargaining as one of their forms of bargaining; their bargaining is highly fragmented and their unions weak or (in Italy) only moderately strong. Third, except for Belgium, all the economies that do feature social democratic labour policies as well as coordinated collective bargaining and strong trade unions have emerged well from the crisis, maintaining high levels of employment and strong innovation performances.

The social support systems of the crisis countries are indeed so remote from those of social democracy, that it is not easy to argue that they could all solve their problems by becoming like the Nordic countries. It is however also unclear that the pursuit of neoliberal remedies would help them. That route involves exposing labour to an extreme level of insecurity, so that its consumption standards decline severely. Given that these are countries with weak export performance, it is difficult to see how this would help them recover, except by forcing wages so low that their goods start to compete with

very low-cost producers, not only in CEE, but in the Far East. This is essentially what is being imposed, on Greece in particular. However, it is one thing for already very poor workers in the Baltic states to pursue such a strategy when starting on existing low incomes, with a prospect of gradually earning more. To imitate them, workers in south-west European countries would first have to accept a very major decline in their living and social standards. It is not clear that populations can accept this without major dislocation and social disorder.

Meanwhile, other major developments in societies and economies are undermining its social democratic rival. The trade-union challenge that has been involved in maintaining and frequently renewing constructive class compromises in north-west Europe became weaker during the 2000s as trade union membership density declined from 23.63% to 19.70% in Europe, from 11.0% to 9.6% in the USA, and from 36.8% to 27.2% in Russia, though it was fairly stable in Japan (declining only from 15.7% to 15.0%). The average Gini coefficient, the main measure of income inequality rose from 28.46 to 29.53 in Europe, from 35.7 to 37.8 in the USA, and from 39.6 to 40.1 in Russia, though in Japan it fell from 33.7 to 32.9.

Consistently with the neoliberal shift, market governance expanded through the crisis, but mainly through the unsustainable form of outstanding consumer credit supported by a high-risk financial sector. Several measures of state-provided security have also risen, though again the main one has been public debt. There is therefore an overall decline in sustainability. Some more constructive public policy measures (in particular unemployment replacement pay and active labour market policy) declined rather than expanded. Further, the evidence in this study suggests that state governance is most effective when accompanied by associational governance, but associational governance has declined in importance, as collective bargaining increasingly takes place at individual company level or not at all.

The overall change in labour market institutions as countries have grappled with the crisis has been for stronger market governance, slightly stronger (but not constructive) state governance, and declining associational and community governance, associated with increased inequality, a deterio-



rating position for the poor, and a decline in the strength of employees' voice. One paradoxical consequence of this combined development is that, at a time when collective capacity might seem to be most needed, and when countries displaying it have been particularly successful, its supports are being opposed and undermined.

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## The Governance of Labour Market Insecurity during the Crisis

*Summary:* Modern capitalist economies usually require some kind of compromise between capital's twin needs for flexible employees but confident consumers. Engaged in this process are different forms of labour market governance, and the different levels of strength with which trade unions can challenge the unilateral power of employers. These patterns are associated with different levels of employment and income inequality. The result is a small number of types around which national profiles are grouped. These resemble but are not identical to the typologies of welfare state retimes that are prominent in the literature. The profiles have been under considerable pressure in the financial crisis.

JEL Classification: P1 - Capitalist systems; G1 - Financial Crisis; J81 - Working Conditions.