

Coming to terms with Globalisation: British Labour, Economic Modernisation and Democracy.

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Introduction

This paper is concerned to locate the process of economic modernisation, adopted by New Labour under wider banner of the 'third way', within the broader context of globalisation, comparative political economy the contested nature of modernisation evident in the policy approaches of reform-minded British trade unions. First, I briefly outline the concept of economic globalisation, focusing particularly on the conceptualisation of globalisation adopted by so-called competition state theorists. My primary objectives in this section are (a), to locate the general imperative towards policy modernisation within the context of the increasingly open global economy; (b) to introduce competition state analysis as a critical tool for analysing modernisation. Secondly, I very briefly outline New Labour's approach to modernisation. Thirdly, I outline the dominant (alternative) approach to modernisation developed by the British trade union movement. This has been most clearly articulated by the TUC but draws on policy development within the wider union movement. Significantly, the TUC's modernisation agenda can be seen to have developed in concert with British trade union Europeanisation (Strange, 2002) and connects with an increasing advocacy of 'post-Fordist' restructuring and the European social model by the TUC and leading pro-EU affiliates such as the GMB and the AEEU (now part of Amicus). Finally I critically evaluate New Labour's approach to economic and labour modernisation in terms of the imperatives of inclusion, democracy and functional flexibility. I argue that the contested nature of modernisation evident in competition state theory is reflected in the different approaches to modernisation adopted by New Labour on the one hand and the TUC on the other. It is suggested that this help to illustrate one of the Paris regulation school's key contentions, namely that postfordism offers broadly two possible modes of national regulation *within* the wider structural context of globalised economic relations: an exclusionary, neoliberal mode and a solidaristic, socially inclusive mode (Lipietz 1992).

Globalisation: Contextualising Economic Modernisation

The process which more than any other has underscored the imperative of modernisation faced by government is

globalisation. The concept first became widely used in the late 1980s and was associated with a largely American literature informed by the dominant neoliberal and realist perspectives in International Relations and International Political Economy. One of the central themes of this literature was the idea that the increasingly integrated world economy that emerged in the later decades of the post-war era, posed a fundamental challenge to the sovereignty of the nation state and that, in particular, it marked the death-knell of the previously hegemonic Keynesian social democracy. According to this view, national adaptation to globalisation necessitated the acceptance not only of the competitive imperative but of specifically neoliberal policy prescriptions for successfully accommodating this imperative, particularly labour market reforms aimed at reducing costs by increasing labour and wage flexibility. From this view, globalisation - signalled empirically by the rise of multinational corporations (MNCs) and associated foreign direct investment (FDI) as well as the globalisation of finance - represented a fundamental challenge to the autonomy and independence of nation-states upon which social democracy and broadly progressive regulation was said to have emerged. Like it or not, so the argument went, the competitive market order had become hegemonic, economically, while neoliberalism was the determined national political consequence of this hegemony which all governments had to face through policy reform and economic modernisation. Much of this so-called 'first wave' of globalisation analysis was subsequently challenged by critics, mainly on the left, who argued that the globalisation thesis was too deterministic and was in any case exaggerated. Such critics rejected the view that neoliberalism was inevitable and maintained that the decline of the state was a dangerous, ideologically driven myth.

The Competition State/s

Between these two extremes in the globalisation debate, so-called 'competition state' analysis (itself a very broad paradigm) has emerged as an approach which, while generally accepting much of the economic globalisation theses, has taken a much less deterministic approach to the impact of globalisation on the state and state policy. According to competition state analysis, the main institutional effect of globalisation has been the undermining of *national* Keynesianism and domestic demand management as the basis for progressive socio-economic regulation. For Philip Cerny, one of the leading competition state theorists, this represents part of a universal process of transition from the global hegemony of the Keynesian/welfare state towards the new hegemony of the 'competition state' under which 'marketisation' has become a defining policy imperative.

But while this process of transition has arguably been universal, what constitutes the competition state in concrete terms and instances is more ambiguous and pluralistic. The key point to be drawn from the mass of research in comparative

political economy undertaken since the mid 1980s, is that the transition towards the competition state is not determining in policy terms; rather there are *alternative* regulative models (i.e. alternatives to national Keynesianism), which can operate successfully *within* the general competitive constraints of globalization. For competition state analysis, therefore, 'marketisation', defined in *general* terms as the adaptation of national economies to external competitive imperatives, must be distinguished from the *specific* form taken by marketisation under different national 'modes of regulation' in the post- and/or neo-Keynesian era.

Neoliberalism or Reformed Social Democracy?

Pluralistic versions of competition state analysis maintains that adaptation to the constraints of globalisation may be consistent with neoliberalism or social democracy. In practice, alternative regulative models will tend to be closer to one or the other 'ideal' type. The neoliberal or deregulatory ideal type tackles the competitive imperatives of the global economy on the basis of low labour costs, that is, relatively low wages, and low welfare provision. Alain Lipietz has characterised this model in terms of 'negative flexibility'. The alternative, social democratic model, tends to be more socially inclusive - providing relatively high wages and comprehensive welfare provision and offering democratic access to high quality employment opportunities. It is able to meet competitive pressures through high levels of labour productivity based on a strong commitment to technological investment and innovation facilitated by progressive forms of relations between management and the workforce establishing and nurturing innovative forms of flexibility on both sides of the 'productive class'. This model is sometimes referred to as the German or European Model and is based on what Rhodes (1998) calls 'competitive corporatism'. Lipietz refers to this model in terms of 'positive flexibility'.

New Labour Globalisation and Economic Modernisation

New Labour's response to globalisation has been first and foremost to assert and emphasise the structural reality of the process and to insist that it has had a profound impact on governance and policy as well as the parameters and content of national social, economic and industrial relations regulation. Policy success requires that the British state is able to successfully compete in an increasingly international market place (Hay and Watson, 1998; Blair, 1996). Because it has recognised the reality of globalisation New Labour has adopted policy reforms consistent with competition state analysis broadly defined.

On occasion New Labour has appeared to welcome and celebrate globalisation while at other times New Labour's approach has been more apologetic or fatalistic. What is not in doubt in

New Labour's approach is that there has been a general shift under globalisation away from the structures, policy discourses and intersubjectivities of 'naïve' national Keynesianism, and towards a new policy context structured around 'open economy' macroeconomics, 'new growth' theory and the central imperative of international cost/quality competitiveness. New Labour has thus accepted, in general terms, the transition to the competition state. However, what is also important to identify in the context of this paper is New Labour's particular interpretation of the competition state and the types of policy reform required by 'modernisation' in the direction of the competition state. This can be clarified by briefly outlining new Labour's macroeconomic reforms and structural (labour market) reforms.

Firstly, the acceptance of globalisation and open-economy macroeconomics has led to a general downplaying by the government of the demand-side of the economy and the active use of demand management as an instrument of economic management. By comparison to naïve Keynesianism, New Labour has embraced fiscal and monetary prudence. The new approach is evident in a number of reforms and policy positions among the most important of which are: the government's granting of operational independence to the Bank of England, its commitment to the relatively restrictive rule-based monetary and fiscal framework established under the EU's economic and monetary union, and its medium to long term objective of joining the Euro zone.

Second, New Labour has responded to the competitiveness imperative by seeking structural labour market reform embracing a broad range of supply-side policies. The most significant positive supply-side initiatives have been introduced within the general framework of 'employability' and social inclusion discourse, consciously developed as a supply-side alternative to the Keynesian/demand management preoccupation with inclusion through 'hands-off' full employment. Employability/social inclusion discourse articulates an active and positive approach to the labour market that covers a wide variety of policy interventions in areas such as education, health, housing and transport. The overall aim is to provide resources that create a highly mobile (both geographically and technically), highly skilled, adaptable ('positively flexible') workforce. More specifically, New Deal interventions have included greater access to careers and employment advice, access to life-long education resources, provisions for retraining, greater public and community access to internet resources and IT, the provision of child-care facilities, pensions advice and mobility, the introduction of modular degree schemes portable between institutions and over time, community-based training and skill exchange schemes etc.

These sorts of *positive* supply-side policies, particularly those focused on education and training resources are referred to by New Labour as 'investment in Human capital' or in the

so-called 'new' knowledge economy. They are supposed to represent a shift in policy away from labour market deregulation (*negative* supply-side policy, or what Coates refers to as 'competitive austerity'), which was championed in the past by neo-liberals and was mainly aimed at achieving government expenditure cuts and getting people out of unemployment in to low paid work.

By contrast, employability policies are said to be positive because they empower the individual, by providing skill and access resources during job search and over the career cycle. Such market power reflects the better skills profile individuals develop which in turn increases their productive potential and thus attractiveness to employers. It also aimed at increasing the income earning potential of the individual as their bargaining power increases. For New Labour, these forms of positive supply-side policy are important because, by increasing *individual* market power, they increase labour flexibility, encouraging individual initiative and enterprise as well as a greater willingness to embrace risk. Such positive supply-side policies are said to address one of the main deficiencies in the previous Conservative governments' approach to the labour market, namely the opening up of a skills gap (significant labour shortages in sun-rise 'high tech' industries) that occurred in the 1980s despite very high levels of unemployment.

British Trade Unions, Globalisation and Economic Modernisation

New Labour's acknowledgement of globalisation as a structural process and the consequent policy shift from the Keynesian to the competition state has been paralleled in policy re-evaluations and 'modernising' agendas developed since the mid 1980s by significant sections of the British trade union movement. This has become particularly evident at the TUC level (see TUC 2004).

Like New Labour the dominant approach to modernisation in the British union movement also starts from a critical appraisal of *national* Keynesianism. Moreover, the unions also shares with New Labour an emphasis on the need for an open macroeconomic framework and for structural competitiveness through labour market and wider supply-side reform.

However, in contrast to New Labour, the TUC and its main affiliates have been far more circumspect in their support for the flexibility approach to labour market reform. While new Labour's approach to structural reform has been informed largely on the neoliberal model of flexibility, the unions' more cautious approach to flexible labour markets has drawn on the *left* and social democratic discourses combining post-Fordist and post-Keynesian assumptions about the economic framework with an increasing commitment to the European social model as a framework for structural reform embracing labour

market, industrial relations as well as key issue of broader social policy such as social security.

In combining these discourses, the British union movement has developed an alternative to naïve national Keynesian social democracy around a constructive critical appraisal of both new Labour's vision of economic modernisation and European macroeconomic policy. On the one hand the trade unions have broadly endorsed new Labour's open macroeconomic policy drawing favourable comparisons between it and the EU's euro zone policy with which new Labour's approach nevertheless shares much in common, particularly the rule-based approach to broad macroeconomic monetary and fiscal aggregates. On the other hand, the TUC has been critical of new labour's general approach to labour flexibility. It offers an alternative, drawing on European experience and based on a radicalised version of the European social models central concept of 'social partnership' (TUC 2004).

This argument for a radical form of social partnership underpinned by an appropriate macroeconomic framework strongly parallels the idea of 'negotiated involvement' or negotiated, 'positive' flexibility developed by Alain Lipietz and the regulation school of political economy. For Lipietz, the progressive or democratic implementation of moves towards greater productive efficiency, cost and product competitiveness and labour flexibility, requires institutionalised guarantees that such modernisation can benefit both capital (in terms of profitability) and labour. At the supply-side level this requires that the modernisation of the labour process and increases in labour productivity made possible by the introduction of flexible technology is matched by a democratisation of industrial relations to ensure institutionalised worker access not only to information and consultation but also company and industry decision-making processes, through the development of structures of industrial democracy. It also embodies more solidaristic and socially inclusive forms of employment policy, pointing to the need to develop institutional mechanisms for guaranteeing democratic access to employment opportunities.

Facilitating Progressive Modernisation

To summarise, New Labour's current policy concern with modernisation is rooted in the perceived impact of globalisation on the operational parameters of social, economic and industrial relations policy. The modernisation imperative can be seen as the consequence of what Cerny and others have identified as the transition from the (hegemonic) Keynesian welfare state, under which the need for international cost competitiveness was seen as secondary to the primary policy objectives of demand generated national full employment, towards the competition state, under which the need for international competitive advantage has gained precedence in policy terms.

New Labour has faced resistance to modernisation from some trade unions, notably the public sector unions most directly affected by competition state restructuring. As was noted above, many of these unions remain committed to a programme of national, demand-led, Keynesian political economy as well as to the conflictual model of industrial relations. By contrast, other sections of the British trade union movement, have recognised the crisis of national Keynesianism which has occurred under new structural conditions created by globalisation and have acknowledged the need for workforces and their unions to modernise in order to positively come to terms with the imperatives of the competition state. This has been evident in support for the social partnership model of industrial relations and the use by these unions, in policy re-evaluation and development, of ideas drawn from post-Fordist discourse.

However, while some unions, notably the AEEU have been uncritically supportive of New Labour's approach to modernisation, others, notably the GMB, as well as the TUC, have been more critical while nevertheless acknowledging the need for and benefits of reform towards economic modernisation. On the positive side, it is acknowledged that New Labour has adopted a sustainable open macroeconomic framework as well as some positive supply side initiatives, aimed at achieving a progressive version of the competition state - what Coates refers to as 'progressive competitiveness' - based around a highly skilled and adaptable labour force, composed of multi-skilled and highly mobile workers taking advantage of life-long access to high quality training and retraining and a general long term state commitment to investment in human capital.

However, on the negative side, modernising unions have criticised New Labour's failure to develop the 'positive flexibility' agenda more directly in terms of industrial relations institutions and legislation. Rather, critics from the union movement argue that New Labour's approach to industrial relations has been essentially to accept the legacy of Thatcherism. No attempt has been made to reverse the anti-trade union legislation introduced by the Conservatives in the 1980s and early 1990s and no significant positive industrial relations initiatives have been introduced by New Labour. While social partnership as a basis for more consensual and inclusive industrial relations has been partially endorsed by New Labour through the ratification and consolidation of the European Union (EU) social and employment chapters, there has been no attempt to develop a modernisation agenda for industrial relations around a deeper institutionalised commitment to negotiated involvement.

Perhaps the closest New Labour has so far come to embracing a more radical and inclusive form of social partnership as a basis for modernisation was its brief adoption in the mid 1990s, prior to gaining office, of the stakeholder model of

capitalism, as developed by Gamble and Kelly and popularised by Will Hutton. This model had broad application across policy sectors and had direct implications for industrial relations, advocating a variety of democratically inclusive mechanisms and institutions, such as works councils co-decision boards and co-ownership, for developing industrial democracy. But as Andrew Gamble has noted the 'big idea' of 'stakeholding' was rapidly abandoned by New Labour once it entered office in 1997 and has since seemingly sunk without a trace.

Thus, there is currently little evidence that New Labour is interested in developing positive flexibility beyond the labour market and into industrial relations proper. Moreover, New Labour's commitment to fiscal prudence and its singular emphasis on the microeconomic/supply side strategy of employability serves to underline its failure to explore alternative, post-Keynesian agendas for modernising demand-side macroeconomic policy. For example, it is notable that New Labour has been reluctant to explore the possibilities of developing a coherent Euro-Keynesian policy as advocated by Lipietz and supported by a large and diverse group of British and European trade unions and social democratic political parties and social forces. In the absence of a coherent expansionary demand side strategy or a significant expansion of job opportunities in the skilled sector (which may or may not require a demand-led growth) to support supply-side modernisation critics maintain that the positive objectives of labour process, labour market and benefit system reform, namely, democratic social inclusion and the reduction of poverty, will be undermined by the reserve army effect (see Glyn and Wood, 2001). The evocation of a reserve army effect by New Labour's critics highlights the compulsory/undemocratic elements in the governments narrowly focused labour modernisation and reform programme and more generally focuses critical attention on the intensification of competition in the labour market created by the *combination* of macro-economic austerity and the supply-side reform. Within this essentially neoliberal context New Labour can expect to meet opposition to labour modernisation not only from the old left, dominant in the public sector, but also from its potential allies on the modernising-inclined post-Fordist left.

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