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# Social Inclusion and Crisis after Fordism

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## Summary in Spanish

# Inclusión Social y Crisis después del Fordismo

**Resúmen**

Los resultados del capitalismo pueden ser buenos y malos con respecto a la cohesión social, la cuál depende mucho de la manera en que sus elementos básicos se conectan en una red institucional. En esta ponencia se interpreta la cohesión social, y la inclusión en el mercado laboral en particular, desde la perspectiva de la teoría de la regulación. La 'escuela de regulación' tiene la intención de entender la dinámica del cambio institucional y social dentro de la acumulación capitalista. Este enfoque ha sido desarrollado por economistas y sociólogos como Michel Aglietta, Alain Lipietz, Bob Jessop y Joachim Hirsch entre otros. Primero, la ponencia hace referencia a algunas de las suposiciones básicas del enfoque de la regulación para luego discutir el *modus vivendi* de la inclusión social en el Fordismo. En segundo lugar, se aborda la discusión de la crisis del Fordismo y se proponen dos caminos posibles para el desarrollo del Postfordismo. El tema de la inclusión social está tratado en relación a estos distintos modelos de desarrollo. Finalmente, en este marco teórico se interpretan algunos de los resultados de un proyecto de investigación comparativa sobre deregulación y reregulación de los mercados laborales y estados de bienestar en los Países Bajos, España, Gran Bretaña, Suecia y Alemania.

La cohesión social en Europa occidental después de la Segunda Guerra Mundial estaba conectada con el contexto de la acumulación y regulación fordista. Esencialmente, el Fordismo se basaba en el crecimiento de la productividad del trabajo como resultado de la introducción general de la producción a gran escala. A causa de este crecimiento el porcentaje de los sueldos y salarios dentro de los gastos totales de los empresarios disminuía, mientras los salarios reales de los empleados aumentaban. Pleno empleo podía ser establecido porque el volumen total del capital aumentaba en mayores proporciones que el número de los empleados, quienes se hicieron redundantes por incrementos de la productividad en el proceso del trabajo. La rebaja del precio por productos industriales aumentaba el poder adquisitivo de los empleados, y, por ello, las ganancias de los empresarios y los sueldos de los empleados se movían en la misma dirección. El estado se beneficiaba de esta situación favorable. Sus ingresos por impuestos crecíany se utilizaban en la expansión del estado del bienestar. Esta última hizo posible una vida digna para aquellos que ya no, o todavía no, participaban en el mercado laboral. En una palabra, todos los actores sociales relevantes se beneficiaban de este modelo de desarrollo – el grado de la inclusión social era correspondientemente alto.

Durante los años setenta este modelo de desarrollo cayó en crisis. Las dimensiones de esta crisis son heterogéneas y abarcan desde el agotamiento del crecimiento de la productividad taylorista, por las cambiantes estructuras de demanda por productos industrialmente fabricados y la reorganisación espacial del proceso de trabajo, hasta el nuevo papel del capital financiero. Todos estos factores tienen efectos similares y contribuyen a debilitar la base estructural necesaria para el éxito del Fordismo: la expansión paralela de las ganancias y de los salarios. La disminución en las tasas del producto bruto interior (PBI), el descenso de los sueldos y la siguiente pérdida de impuestos tuvieron como resultado un presupuesto estatal crecientemente desequilibrado. La fórmula para la cohesión social típica del Fordismo

  altas tasas del PBI y de la productividad
+ aumentos de los salarios reales
+ altos niveles de los ingresos del estado y de los gastos del estado de bienestar
= alto nivel de la cohesión social

ya no era correcta. Al contrario, el mercado laboral y la estructura social que correspondían con la etapa fordista del desarrollo del capitalismo se desintegraron.

Mientras la mayoría de los autores están de acuerdo que el modelo de desarrollo fordista ha llegado a sus límites, todavía no hay consenso en si un modelo de desarrollo postfordista aún haya surgido o esté surgiendo, y, como tal podría ser regulado. En esta fase del debate propongo un escenario que deje espacio a diferentes caminos hacia al Postfordismo. En un primer escenario de flexibilidad, orientado a las necesidades del capital a corto plazo (*capital-oriented flexibility*), los partidos del mercado laboral negocian a nivel individual resultando en regulaciones de los salarios y del horario del trabajo favorables para los empresarios. En este modelo, los empresarios no contribuyen mucho al presupuesto y el estado interpreta su política económica y social primeramente como un factor de competitividad (*Standortpolitik*). Contrariamente, en flexibilidad negociada (*negotiated flexibility*) los convenios colectivos tienen lugar al nivel social. Los resultados concretos de estas negociaciones no sólo reflejan las ideas de los empresarios en cuanto a la competitividad a corto plazo, sino que consideran necesidades de los empleados como por ejemplo el empleo permanente y el manejo del ritmo entre la jornada laboral y el tiempo libre. El gobierno mejora cualitativamente su política estatal respecto al mercado laboral, asi como también el estado de bienestar y continúa con ellas a un nivel cuántitativamente alto.

Diferentes tipos de flexibilidad llevan a diferentes tipos de inclusión social. Es verdad que la globalización amenace las instituciones de la regulación establecidas, pero la deregulacíon, la disminución del estado de bienestar y creciente desigualdad social no son las únicas respuestas posibles. Más bien, parecen ser rasgos de un modelo de desarrollo, crisis y desintegración social, en el sentido de que una estratégia de flexibilización con orientación hacia el capital es la que predomina. De este modo la integración de las clases bajas en el modelo de desarrollo económico no se basa en consenso sino en conflicto – una lucha de clases desde arriba. El mercado laboral está deregulado e individualizado hasta el punto en que dicotomías tradicionales sociológicas como ocupado/desocupado, formal/informal, asalariado/no asalariado pierden mucho de su relevancia original. En la medida en que la movilidad entre desempleo, subempleo y diferentes trabajos que requieran poca o ninguna calificación crece, los empleados enfrentan cada vez más dificultades en combinar su vida profesional y privada. Empíricamente, el mercado laboral de Gran Bretaña evidencia muchos de estos rasgos. La flexibilidad negociada (para la cual los Países Bajos pueden servir como ejemplo) está caracterizada por un nuevo *modus operandi* de inclusión social, que integra los distintos grupos y clases sociales en un modelo de desarrollo común. Este no se basa en conflicto sino en consenso porque los intereses de ambos lados del mercado laboral están considerados. El estado se dedica a la reintegración tanto de los parados en el mercado laboral asi como de otros grupos económicamente marginalizados. Este modelo de desarrollo no depende en primer lugar del trabajo barato y de la (super-)explotación, sino de la integración activa y de las calificaciones de los empleados.

## Social Inclusion and Crisis after Fordism

### Introduction

Sociological classics such as Marx, Weber and Simmel have treated capitalism as a force driven by the necessity and individual wish to accumulate wealth. This force tends to transform itself into a catalyst that changes not only the nature and the distribution of work but also the given mode of societalization. Generally speaking, capitalism can be both creative and destructive. It can deliver favourable and desirable results in terms of economic development and be effective in producing both system and social integration (Lockwood 1992). But capitalism can also lead to low levels of inclusion – and historically has done – and result in extreme forms of exploitation and exclusion. Whether capitalism scores high or low in terms of inclusion depends greatly on the way its core elements are connected in an institutional network. In this paper, social inclusion and crises are interpreted from the perspective of regulation theory. First, it examines some of the basic assumptions of the regulation approach and discusses the modus vivendi of social inclusion under the conditions of Fordism. Thereafter, it touches on the debate on the crisis of Fordism and outlines possible post-Fordist growth paths. Finally, it discusses the prospects for social inclusion in the context of these different models of development.

**Regulation Theory, Crisis and Social Change**

The regulation approach is not a unified and generally accepted body of theory, but rather encompasses a set of different ideas which might be interpreted as a research programme in the social sciences. Bob Jessop (1990) discusses seven different regulation approaches within this research programme. In the following I will concentrate on what he calls the Parisian school, associated with writers such as Michel Aglietta (1987), Alain Lipietz (1987, 1998), and Robert Boyer (1995). While these authors tend to regard the abstract features of capitalism as largely constant, they address both crises in the accumulation process and periods of expanded production and growth in the context of their institutional, social and political 'embedding'. The Parisian approach is based on a double critique of both neo-classical economic theory and orthodox Marxism.

With regard to neo-classical economics, the regulation approach rejects the notion of a delimited economic space, which is in stable equilibrium and, if disturbed by external shocks, returns to stable equilibrium spontaneously. It also questions the view that the economy is entirely driven by the 'optimizing, economizing conduct of inherently rational individuals who have pregiven and stable preference functions and who are solely oriented to the price mechanism and its implications for individual profit-and-loss.' (Jessop 2002: 5) Rather than accepting the assumption of the transhistorical *homo economicus* of neo-classical economics, regulation theory conceptualises economic incentives as dependent on changing economic structures and norms. With regard to orthodox Marxism, regulation theory criticises the view that capitalism will ultimately collapse in a series of crises due to its internal contradictions. On the contrary: regulationists assume that capitalism 'develops through a series of ruptures in the continuous reproduction of social relations. Crises are resolved through an irreversible transformation which allows the fundamental or "determinate structure" of capitalism to continue.' (Friedman 2000: 61) In short, the regulation approach attempts to understand the socially embedded nature of capitalist society as an alternative to pursuing abstract analyses of market phenomena or crisis processes.

The regulation approach employs intermediary concepts, which are located at a level of abstraction between general theories of capitalist accumulation and concrete analyses of social issues. *Regimes of accumulation* are associated with certain historical phases and development paths characterised by economic growth and normally associated with a particular industrial paradigm. These take the form of compatible commodity-streams of production and consumption, which are reproducible over a long period of time. A *mode of regulation* comprises an ensemble of social networks and institutions as well as rules, norms, and conventions, which facilitate the trouble-free reproduction of an accumulation regime. A mode of regulation itself comprises five sub-dimensions: the wage relation; the enterprise form; the nature of money; the state; and international regimes. It also includes a geographical and temporal dimension which Jessop (2002: 21) calls *spatio-temporal fixes*. These determine the main spatial and temporal boundaries within which structural coherence is ensured. Within a given spatio-temporal fix, different regulatory institutions deal with different issues on different scales and over different time horizons. Regulationists refer to a historical constellation, in which a regime of accumulation and a mode of regulation complement each other sufficiently to secure a long era of economic expansion and social cohesion, as a *growth model* or a *model of development*. The stability of such a growth model is finally enhanced where shared values and norms help to bring about a common sense value system that is subscribed to by members of societies across the social classes. Some Regulationists use Antonio Gramsci's (1971) notion of a *hegemonic block* with respect to those social classes and groups which adhere to these values and are the carriers of them.

The division into periods of capitalist development in regulation theory corresponds to Kondratieff's approach of *longues durées*. According to Alain Lipietz (1998), a largely extensive accumulation regime dominated in the second half of the $19^{th}$ century. It was based on the merely formal subsumption of wage labourers and remained therefore dependent on their subjective knowledge and skills. The regulation system embodied the liberal night-watchman form of state that guaranteed the free movement of prices, wages and scale of production. This growth model was followed by a period of monopolistic and imperialist economic and political relations. Taylorism began to be generalised as an industrial paradigm as early as World War I. However, this was not accompanied by a simultaneous increase in consumption by wage earners. The Great Depression of the late 1920s can therefore be understood as the result of a lack of compatibility between the new production methods and an unchanged mode of regulation, which did not enable wage earners to increase their consumption. It was only after the end of World War II that mass production was combined with mass consumption.

In the face of the different sources of tensions in the capitalist mode of production, as outlined by Marx, and the capricious history of capitalist development, the emergence of a relatively stable regime of accumulation, which is able to provide a correspondence between both the norms of production and of consumption, and a successful mode of regulation, cannot be taken for granted. Such a productive combination, itself a product of the rather fortuitous and fortunate convergence of relatively independent parameters and developments in different societal fields, is not only the necessary condition for the economy to flourish but also for the avoidance of far-reaching socio-political crises. It is an absolute necessity for the maintenance of social cohesion. Conversely, socio-political disasters such as the emergence of fascist regimes in Germany and Southern Europe were facilitated by crisis-situations, where an accumulation regime did not harmonise with an outdated regulatory network, and where, for example, a deficit in effective demand led to major under-utilisation of productive capacity. The well-known results of such an imbalance are over-accumulation of capital, mass-unemployment and social exclusion.

**Fordism**

Fordism is the most celebrated example of a successful combination of a regime of accumulation and a mode of regulation in a stable development model (Aglietta 1987). As a mode of macroeconomic growth, the Fordist accumulation regime was characterised by a parallel restructuring of both the technological and organisational basis of the production process and the consumption patterns of the wage earners. The economy was dominated by large, vertically integrated companies, which applied mass production technologies and Taylorist practices of work organisation. The latter involved a clear distinction between conception and execution, production and sales, marketing and finance, etc. Productivity continued to rise through economies of scale together with strict control over the majority of employees, who mainly worked on the assembly line. Furthermore, assembly line workers required a minimum of training which meant a big saving in costs. Fixed capital was written off quickly and the amortisation costs were incorporated into prices (Friedman 2000: 59). Profits were supported by consumer demand based on high and increasing wages, which were usually determined by collective agreements and tied to an expected growth in productivity.

With regard to the regulatory network, the Fordist enterprise form involved a significant amount of separation between ownership and control in large corporations, in which mass production provided the spur to economic growth. This does not exclude that companies, which applied mass production methods, also employed other labour processes as well or were tied to them in production networks within a given economic sector. The Fordist system of wage-relations rested on the recognition of trade unionism and centralised collective bargaining in which the state played an active role. The trade unions, for their part, respected the management's power to control the labour process. Wages were indexed to productivity growth, while monetary emissions and credit policies were oriented towards the creation of effective aggregate demand in national economies. The state helped to secure this by means of policies designed to integrate the circuits of the capital and the consumer goods industries, and by mediating the conflicts between capital and labour over both the individual and social wage (Hirsch & Roth 1986). It further helped to achieve growth and productivity agreements between employers' organisations and trade unions by promoting capital accumulation through public infrastructure spending and permissive credit and monetary policies. The state also carried out substantial income redistribution through Keynesian-inspired counter-cyclical economic policies. These developments were to culminate in the creation and expansion of the welfare system. In contrast to the 19th century and the inter-war period, when labour struggles used to result in wage differentials across skill levels, sectors and regions, in Fordism, wage rises in one sector normally led to wage increases at the national level.

Fordism would have been unsustainable without international regulation. Towards the end of World War II, the International Monetary Fund (IMF) and the World Bank were created by the agreements reached at Bretton Woods. The breakdown of the system of coupling national currencies to the gold reserves available in a national economy was seen as an important contributory factor to the crisis in the 1930s. After the agreements of Bretton Woods, the international financial and loan system was liberated from the gold standard. National central banks therefore had a much greater degree of autonomy in their monetary policies. Crucial economic decisions on parameters such as the convertibility of national currencies or the determination of whether, and to what extent, a trade partner was credit-worthy were not taken quasi-automatically on the basis of the gold standard but increasingly through central banks and national governments (Altvater 1993). The prime importance of the World Bank and the IMF was the determination of a system of fixed rates of exchange, within which both institutions could give loans to nation-states in order, for example, to compensate for deficits in the balance of payments. In this way, differences in economic development between different states could be accommodated and sometimes reduced. The introduction of the General Agreement of Tariffs and Trade (GATT) led to a gradual reduction of national tariff and trade barriers. By continuing to tie its own currency to the gold standard, the US supported this international regulation of money and loan transfers. The dollar practically functioned as ‘world money’ and thus it was possible to compensate for deficits in the balance of payments which accompanied the foreign trade surplus of the US after World War II. However, the international regulation of Fordism was far from being altruistic. Non-capitalist countries, including former allies in World War II, were, from the beginning, excluded from this kind of support for the reconstruction of their devastated economies. Anti-communism was an important ideological tool that helped to establish consensus in the Fordist world and to create a ‘hegemonic project’ (Gramsci 1971) to which large parts of the population – including huge sections of the working class – subscribed.

As a mode of societalization, Fordism led to a historically unprecedented and encompassing extent of social cohesion. It was based on a parallel change of the production and accumulation process of capital on the one hand, and of the lifestyle of the middle and working classes on the other. In Marxist terms the relative surplus of the labour power was increased due to the reduction of the time necessary to learn the skills necessary in the labour process and, at the same time, real wages increased due to the reduction of the prices for commodities available for mass consumption. In combination with the introduction of Keynesian economic and social policies, the creation of the welfare state etc., a ‘Class Compromise’ (Peter von Oertzen) between capital and workers was reached. Not only was the working class actively integrated in the growth project of Fordism, but the non-economically active also benefited from it to a certain extent. Reinhard Kreckel (1997: 164) illustrates this by borrowing the metaphor of ‘centre and periphery’ from the sociology of development. The centre, comprising the ‘corporate triangle’ of capital, work and state, which are institutionalised in employers’ associations, trade unions and in state authorities through intervention and regulation, was characterised by a concentration of powers and resources; the ‘periphery’, on the other hand, was defined by a fragmentation of power and the lack of resources. Centre and periphery are mediated through institutions of regulation such as the state systems of income transfer. It is by examining these institutions and the processes of income transfer that we can understand the living conditions and the attachment to the ‘working society’ of those citizens who either totally or partly depend on this redistribution of income, for example the recipients of unemployment benefit or welfare (Koch 2001: 201).

**The Crisis of Fordism**

The Fordist mode of accumulation, regulation and societalization began to disintegrate in the late 1970s. Many factors are implicated in this crisis. These include the diminishing potential to increase productivity as a result of mass production; changes in the demand structures for industrially produced goods; the restructuring of the spatial dimensions of the production process; and the new role of financial capital and other forms of investment (Boyer & Durand 1997). A combination of factors at both the international and national level made the maintenance of the essence of the Fordist accumulation regime – the parallel development of the norms of both production and consumption – increasingly problematic. In this section I will first discuss some of these crisis factors. After this I will relate these factors to two scenarios which European nation-states could adopt in order to resolve the crisis and institute a post-Fordist growth strategy.

The rise of Fordism advanced under circumstances of virtually unlimited markets. The only barrier to accumulation appeared to be the existing scale of production. By contrast, the awareness of the limited nature of the world is a hallmark of a post-Fordist accumulation regime. Geographically, the Fordist market was largely limited to the nation-state but it appeared to be economically inexhaustible. In time, however, Fordist firms began to encounter markets which were geographically boundless but – in the medium-term – economically saturated; markets, which did not 'grow' sufficiently fast to accommodate the process of capital valorization and the simultaneously growing productivity of work, but remained at best stable.[1] Once the demand for mass produced goods could no longer be taken for granted, sales and the market in general ceased to be secondary and dependent variables and became primary and independent ones. Management strategies were to change accordingly.

In an attempt to achieve further economies of scale and to compensate for the relative market saturation in their home markets, Fordist firms now began to expand into foreign markets. They also began to utilise foreign credit and tax havens to reduce the costs of both borrowing and transfer payments. According to Altvater & Mahnkopf (1996) this development contributed to the undermining of the nation-state as the main unit of economic management. In addition to the crisis caused by deficits in the demand for mass-produced goods, there were limits to the expansion of Fordism to every branch of production, including services: 'The growing capital intensity of production and dependence of economies of scale on full capacity utilization increased the strike power of organized labour; and the continuing search for productivity increases through work intensification led to growing alienation on the shop floor.' (Jessop 2002: 81 f.) Furthermore, the potential for accumulation and expansion under Fordist conditions crucially depended on the availability of oil at decreasing costs in real terms. The two major increases in the price of oil following the formation of the Organisation of Petroleum Exporting Countries (OPEC) heightened the crisis.

As the internationalisation of the economy proceeded, nation-states could no longer act as if the economic space was closed. This, in turn, had major implications for the financial base underpinning Keynesian economic and social policy. The tax revenue available to finance social security payments was reduced – particularly in welfare regimes where these payments were tied to wage-earning – at a time when unemployment was increasing. At the same time, the contributions of employers to state revenues fell because of diminishing gross profits. Ironically, the declines in profit levels were often compensated for by the introduction of tax reductions and/or tax exemptions by national governments, which aggravated the fiscal crisis of the state. The emergence and expansion of new information and communication technologies enabled capital to become increasingly mobile and to circumvent and even avoid the tax regime of the nation-state.

In the post-war decades the international division of labour was comprised predominantly of advanced industrial countries producing both capital- and consumption goods, and of poorly developed countries, which mainly exported raw materials. From the late 1970s, corporations found it increasingly lucrative to transfer the production of commodities to the developing world. The work process became fragmented and this was accompanied by the increasing heterogeneity of the whole economic space. Special tasks could be carried out in virtually any place in the world as long as this outsourcing ensured the most efficient combination of capital and labour. Fröbel et al. (1981: 15) were among the first to identify this tendency as a ‘trans-national reorganisation of production’. In this reorganisation, the location of production is determined not simply by the supply of natural resources but also by factors that can be supplied ‘artificially’ such as infrastructure, skills, labour costs, and taxes. The existence of local networks based on mutual trust is likewise an important determinant of international competitiveness. According to Altvater and Mahnkopf (1996: 30), global competition and local competitiveness can be understood as two simultaneous dynamics of modern (market)-societalization. Regulationists use the concept ‘glocalization’ to describe the two tendencies that transform the Fordist spatio-temporal fix, that is, the dis-embedding of economic processes from traditional social and political ties, and the emergence of new group-ties and networks at a given location.

Important changes also occurred within the international regulation of economic relations. In the post-war decades, the dollar was the only currency tied to the gold standard. It was generally used as ‘world money’. According to the agreement at Bretton-Woods, dollar reserves from other countries remained exchangeable against gold in the US. In the event, European and Japanese exports began to increase at a faster rate than those of the US, whose advantage in productivity began to erode. At the same time there was an expansion of US direct investments overseas and this resulted in a further outflow of the dollar away from the US, mainly towards Europe. In the US a rapidly growing deficit in the balance of payments emerged and started to undermine the commitment to exchange foreign held dollars for gold, on demand. The gold cover of the dollar turned out to be fictitious to the extent that the deficit in the balance of payments increased (Initiativgruppe Regulationstheorie 1997: 15). By the early 1970s a devaluation of the US-dollar seemed to be inescapable. The US-government withdrew its commitment to convert foreign dollars into gold and this signalled the beginning of the end of the international currency system negotiated at Bretton Woods.

The system of exchange rates was now to become more flexible. The use and the exchange rate of the US-dollar in the currency markets declined. The dollar did not lose its function as a world currency but was now supplemented by DM and yen, which increasingly took on the role of reserve currencies. With regard to international trade, the transition to flexible exchange rates resulted in greater market uncertainty due to the fact that currencies were now free-floating. At the same time, the potential for currency speculation grew enormously and new investment possibilities emerged for money capital, which became increasingly disposable as the crisis of Fordism unfolded. The opportunities opened up by the new information and communication technologies facilitated the ready availability of necessary information on markets and permitted the purchase of blocks of shares anywhere in the world. This meant it was now possible to be economically active twenty-four hours a day in different time zones. The enormous growth of financial capital, which could no longer be profitably invested in industry to a satisfactory extent; the deregulation of financial markets; and technological innovation fuelled an enormous expansion in financial transactions, which grew faster than the volume of world trade and gross national products. The total value exchanged in stock markets increased by a massive 1500 % between 1980 and 1999; during the same period the GDP within the OECD countries merely doubled (Koch 2003: 57). Many theorists, including regulation theorists, identify this phenomenon as a decoupling of ‘real’ and ‘monetary’ accumulation (Novy et al. 1999).

The immediate response to these structural changes at the first G7-summit at Ramboillet in 1975 was ‘Keynesian’ in the sense that the maintenance of global demand was given priority (Lipietz 1998). The World Bank and the IMF were given the task of co-ordinating this policy. However, these priorities were subsequently reversed. The demand-side was no longer seen as the cause of the crisis. Instead, the supply-side was increasingly identified as the main obstacle to profitability. The main pieces of evidence used to justify this about-turn included the slow down in the growth of productivity; the rise in labour costs; and the alleged burden of welfare-state transfer payments. The core principle of 'Reaganomics' in the 1980s was the creation of favourable conditions for the investment of financial capital in the US. The exchange rate of the dollar recovered following the rise of interest rates in the US. The impact of this development on other countries was, however, disastrous, particularly for the planned economies in Eastern Europe and the peripheral countries in Latin America and Asia. Many of these countries had obtained loans at favourable interest rates in the early 1970s and were now confronted with ballooning interest repayments. Despite making enormous repayments, the debts of developing countries increased from 616 billion dollars in 1981 to 2177 billion in 1996 (*The Economist*, 26.04.1997).

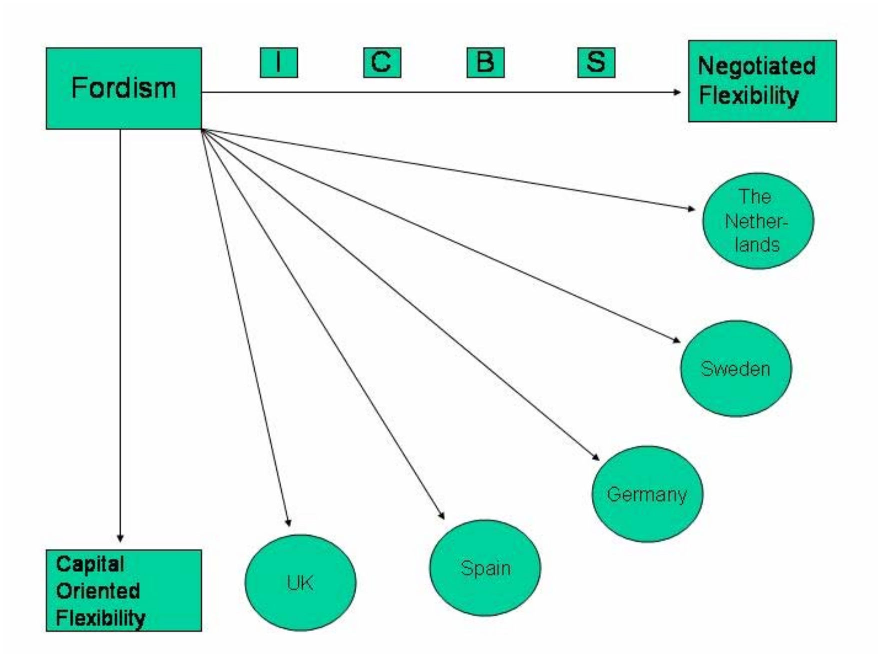
In the case of central nation-states such as those in the European Union, there is normally assumed to be a close connection between external constraints and internal policy choices. Regulationists do not exempt themselves from this rule. Deregulation of the institutional settings (which typified the Fordist era of capitalism) and the reduction of state expenditure, especially for social affairs, are seen as the only options open to decision makers in the areas of labour market and social policy. This idea is taken for granted to such an extent that empirical studies on reforms of labour markets and social structures are all too often not even initiated. Empirically, however, the hypothesis that nation states have no option but to compete against each other to undercut social and ecological standards cannot be validated until its defenders provide proof that real labour market and welfare reforms, carried out since the late 1970s, indeed led to mere deregulation, and that they one-sidedly served the interests of employers. Conversely, the possibility that deregulation could turn into reregulation, and of some form of post-Fordist growth pact in which trade unions play a meaningful part should not be excluded by definition. Theoretically, too, the overly hasty reduction of locational factors to merely those of low tax and cheap labour remains unconvincing (Hirst & Thompson 1999; Garrett 1998). While it is true that large corporations invest in those countries and regions that promise the biggest net profit, profit margins depend not only on the costs of the factors of production, but also on their comparative productivity. A country with relatively high taxes can therefore remain attractive to international capital as long as it offers a highly qualified labour force able to produce high quality commodities. The remainder of this paper deals with two examples of how possible post-Fordist accumulation regimes, modes of regulation and societalization may look.

## Two Roads to Post-Fordism

With regard to possible post-Fordist growth paths, I intend to differentiate between two scenarios, each of which are characterised by greater 'flexibility' and labour market adjustment than in the Fordist regime of accumulation. Researchers in virtually all industrial countries stress the increasing importance of management strategies that enable organisations to adapt quickly to rapid development in technology, greater diversity in labour markets, and growing international competition. Two distinct strategies of more flexible labour utilisation are normally emphasised: 'enhancing employees' ability to perform a variety of jobs and participate in decision-making, and reducing costs by limiting workers' involvement in the organisation.' (Kalleberg 2001: 479) These two strategies are conceptualised in different ways such as functional vs. numerical flexibility (Smith 1997), internal vs. external flexibility (Lipietz 1998) or organisation-focused vs. job-focused employment relations (Tsui et al. 1995). Although these studies use different theoretical approaches, they nevertheless have in common the notion that the direct control of workers within a Taylorist organisation of work generally gives way to more indirect forms of control. Employment contracts tend to become less 'rigid' in the sense that they are temporary, and more flexible in terms of workload and working hours. The division of labour becomes more international and more fragmented. These developments increase the importance of negotiations between employees and employers, which can take place on the individual level, (I), on the company-level, (C), on the level of the economic branch, (B), and on the societal level, (S) (Figure 1). Faced with increased international competition, different countries and regions will develop different forms and levels of negotiations.

At one end of the spectrum of possible post-Fordist growth strategies, we can envisage what I call capital-oriented flexibility. Collective bargaining is decentralised and flexibility manifests itself in negotiations between employer and the individual employee. This often results in regulations concerning wages, working hours and dismissals that are almost exclusively based on the employer's interest in decreasing labour costs in order to gain competitive advantages for his or her company. The de-indexation of wages is accompanied by a structural weakening of the unions. Work organisation will, for the most part, be oriented towards short-term gains in competitiveness and new technologies will be introduced mainly to achieve a decrease in labour costs and to reinforce controls without actually transcending Taylorism. At the same time, contributions made by employers to pension schemes, holiday pay, health insurance, etc. are reduced, while public services are increasingly privatised. Legislation is introduced to facilitate hiring and firing. Dismissals lead less often to legal penalties. Trade unions and state labour market policy are weakened.

Figure 1: **Roads to Post-Fordism** (elaborated on Lipietz 1998: 123)




The road to post-Fordism at the opposite end of the spectrum might be called negotiated flexibility, where collective bargaining is centralised and flexibility is arrived at in tripartite talks between employers' organisations, trade unions and state representatives. Wages, employment conditions and welfare will be negotiated in joint bargaining. The work organisation will not only consider the competitive interest in the short-term but also the worker's interest in long-term employment contracts and the enhancement of his or her commitment. The increased flexibility of working hours and overtime is organised within defined limits and related to the length of the working week. Dismissals become more difficult and must be combined with offers of retraining. Passive and active state labour market policy remains intact.

The modes and extent of social inclusion, and in particular labour market inclusion, will depend heavily on the kind of post-Fordist growth strategy a country follows. Where capital-oriented flexibility predominates, the growth strategy will be labour extensive. This might lead to full employment but at the expense of low productivity. This type of growth strategy is characterised by huge inequalities in wage levels. Labour market marginality therefore mainly takes the form of the working poor. Part-time work is organised in a way which maximises the insecurity of workers; it is involuntary and flexible due to the changeable, competitive needs of the employer. In individual negotiations, employees rarely experience work situations that allow them to combine their professional and private lives. Self-employment will rise, often motivated by the despair caused by the lack of satisfactory alternatives in the formal occupational system. The role of the state lies largely in the attraction of international capital by means of low labour costs, taxes and contributions (Hirsch 1995). As a whole, the growth strategy is not so much a new compromise between the interests of employers and employees but rather a termination of Fordism from 'the top' in favour of the short-term competitive interests of employers.

In negotiated flexibility, the new technologies will be used in order to modernise industries and to find an alternative to Taylorism. The use of labour is intensive, enabling productivity to recover much faster from the Fordist crisis. Real wages can therefore be at a relatively high level, thereby minimising the percentage of the working poor. The welfare state supports this through the provision of benefits. The state will generally remain engaged and oriented towards the rationalisation of, rather than the downsizing of, the welfare state. It will continue to invest in infrastructure and in active labour market policy. As in capital-oriented flexibility, self-employment will increase, but in this model it will be supported by national and regional planning as well as by intensive training programmes. In a nutshell, the high productivity approach allows the return to full employment combined with rising real wages, a modernised welfare system, relatively stable wage inequalities and, consequently, few working poor. This growth strategy is therefore a genuine compromise of the classes and groups involved, clearly going beyond short-term interest in competitiveness and actively embracing workers' participation.

Table 1: **Growth Strategy and Labour Market Inclusion in Capital-Oriented and Negotiated Flexibility**

| | **Capital-Oriented Flexibility** | **Negotiated Flexibility** |
|---|---|---|
| **Growth Strategy** | | |
| Usage of work force | Extensive | Intensive |
| Productivity | Low | High |
| Level of wages and transfer income | Low | High |

| | | |
|---|---|---|
| **Labour Market Inclusion** | | |
| Working poor | Many | Few |
| Unemployment | Low | Initially high, then decreasing (depending on representation of the unemployed in collective bargaining) |
| Part-time work | Rising, Capital Oriented | Rising, negotiated in tripartite bargaining. |
| State activity, e.g. in creating a state employment sector and offering further education, industrial and regional policy | Weak | Strong |
| Informal sector | Strong | Weak |
| Self employment | Rising: due to 'despair' | Rising: due to state and regional consulting |

In comparative research, I use this model of post-Fordist constellations as a theoretical frame to understand the recent reforms in the labour market and welfare state and the changes in the occupational and social structure in the Netherlands, Spain, the UK, Sweden and Germany in the 1980s and 1990s.[2] By the end of the 1990s, the type of post-Fordist development strategies arrived at in these five countries had begun to take root, most clearly in the United Kingdom and the Netherlands, while Spain, Germany and Sweden continued in many respects to struggle with the Fordist crisis. The pioneering role of the Netherlands and the UK can be explained mainly by the fact that crisis tendencies in the labour market emerged earlier and were more distinctive than elsewhere, and this propelled the early and determined implementation of reforms. In both countries the new measures facilitated the creation of employment. Unemployment rates decreased with the result that, by 2002, both countries were close to a return to full employment; however this was achieved by the use of quite different means and resulted in different types of labour markets and social structures.

The UK largely follows capital-oriented flexibility. The labour market and welfare state reforms of the 1980s and 1990s either diminished or abolished minimum standards, replaced collective employment rights with individual ones, and decentralised bargaining towards the individual level. The cornerstones of the new development strategy were the undermining of the power of trade unions; the privatisation of public companies; and the partial refusal to engage in the Europeanization process, especially in the area of social rights. The occupational and social structure was transformed twofold. On the one hand, there was a significant decline in unemployment in the second half of the 1990s and a substantial rise in employment. On the other hand, increased flexibility and the comparatively low unemployment rate seem to have been accomplished at the price of a deterioration in wage levels, growing insecurity and increasing poverty. Between the 1970s and the 1990s the number of the working poor went up, and the pay gap between the lowest tenth and the highest tenth of workers grew, with the earnings of workers in the lowest tenth not rising in real terms. The growth of labour productivity continued to be modest. The creation of jobs, in the British case, especially of low skilled jobs in the service sector, did not coincide with a decrease in the productivity gap between Britain and the rest of Europe.

Table 2: **The Netherlands and the UK Compared**

| **Labour Market and Welfare System** | **Occupational and Social Structure** |
|---|---|
| **The UK**: *'Restoration' of market forces*<br>- undermining of union power;<br>- privatisation of state companies;<br>- reduction of public expenditure;<br>- decrease of labour costs;<br>- capital-oriented flexibility of working hours. | Full employment with rising working hours, wage dispersal and working poor. |
| **The Netherlands**: *Balance between flexibility and security* (**'**flexicurity')<br>- reduction of working time;<br>- expansion of part-time work;<br>- social protection of 'atypical jobs'<br>- more combinations of wage with transfer income and work with training;<br>- welfare state qualitatively transformed and quantitatively preserved. | Full employment with reduced working hours. Rise of working poor contained by modernised but not downsized welfare state. |

The Netherlands comes close to the negotiated flexibility model, featuring a growth project which maintains the tradition of seeking consensus on the societal level with regard to the important decisions on economic and social life. Central guidelines are negotiated in tripartite bodies whereas the concrete translation of those guidelines into socio-political practice is decentralised. The labour market parties agreed firstly on the double-strategy of a reduction in individual working hours and wage moderation. Secondly, due to the policy of *flexicurity*, employers take advantage of more flexibility in the labour market, whereas agency and part-time workers enjoy more security with regard to unemployment benefits and pension entitlements. A third range of measures concerned the reform of the social security system, which was both qualitatively improved and preserved on a high quantitative level. Despite the reductions in individual working hours, the risk of belonging to the working poor is contained in a system which allows various ways of combining income from wage labour with social benefits.

The fact that the post-Fordist development strategies in Spain, Germany and Sweden are comparatively delayed presents these countries with the oppurtunity to learn from the experience of the pioneer countries. In Spain, the labour market parties started to agree on enhancing the regulation power of collective bargaining at sector level at the expense of legal arrangements on the societal level. According to the *New Deal*, the trade unions accept more flexibility and wage moderation in exchange for greater employment stability and social benefits. In Germany, the increased possibilities for fixed-term contracts, the adaptation of working time legislation to employers' competitive interests, and the relaxation of the law governing the hours of trading sought to improve the competitiveness of national companies and reduce the bargaining position of trade unions. At the same time, however, these reforms clearly remained below the level of a qualitative change of traditional 'Rhenish Capitalism'. Above all, the main pillar of German industrial relations, collective bargaining at sector level, has remained largely unchanged. In Sweden up until 1991, competitive concerns were deemed to be secondary to the full employment ideal. This was followed by the subordination of all kinds of economic decisions to the primacy of competitiveness and a stable budget, and it was only after this that mass unemployment emerged. Since 1994, when the Social Democrats were re-elected, we witness the rather pragmatic attempt to regain full employment under the conditions of heightened capitalist competition. This includes cuts in the welfare system, but not to a level which indicates a qualitative change.

**Conclusion**

In this paper I discussed first the general assumptions of the regulation approach to capitalist accumulation, modes of regulation and societalization and related them to issues such as crises and social inclusion. Secondly, I looked at Fordism as a relatively successful growth model with a particular mode of social inclusion. Finally, taking a departure from the debate on the crisis of Fordism, I addressed the question of whether there are possible modes of post-Fordist regulation regimes and corresponding conditions for social inclusion. Regulation theory assumes that capitalism develops through a series of ruptures or crises. These crises can be temporarily resolved through transformations of its political and institutional design thereby allowing the reproduction of the fundamental features of the capitalist mode of production. Periods of economic expansion and social cohesion are understood in terms of historical constellations, in which a regime of accumulation and a mode of regulation complement each other sufficiently to permit a relatively stable model of development. Conversely, crises are seen as situations in which an accumulation regime does not harmonise with a regulatory network. With intermediary concepts such as regimes of accumulation and modes of regulation, regulation theory attempts to understand the interplay of the constituent elements of growth models.

Social cohesion in Western Europe after World War II was tied to the Fordist accumulation and regulation context. Fordism rested predominantly on the productivity growth associated with the general achievement of economies of scale. This growth was the basis for the simultaneous and proportionate development of the two departments of social production. The share of wages within the total costs of employers decreased, but the real wages of workers increased. Employment could grow to its full potential because the total volume of capital rose by a greater proportion than the increase in the number of workers made redundant due to productivity gains in the work process. The cheapening of industrial products raised the purchasing power of wage labourers, so that both the employers' profits and the employees' wages increased. The state benefited from this favourable situation and used its growing income from taxation for the expansion of a welfare state system, which, in turn, provided a guaranteed minimum standard of living for those who, for whatever reason, could not participate in the labour market. In a nutshell, all social players benefited from this growth mode; the extent of both system and social integration was correspondingly high.

In the course of the 1970s this growth model became crisis-prone. The dimensions of the crisis were multilayered and reached from the exhaustion of the productivity potential of economies of scale, through the changing demand structures for industrially manifactured goods and the spatial reorganisation of the working process, to the new role of financial capital and investment practices. All these separate factors combined to undermine the crucial structural basis for the ascendancy of the Fordist mode of societalization: the parallel enhancement of profits and wages. With the decline of growth rates in both GDP and wage levels and the corresponding tax-losses, public funds became increasingly unbalanced. The formula for system and social integration typical for Fordism:

  high growth rates of GDP and productivity
+ enhancement of real wages
+ <u>high levels of state income and welfare expenditure</u>
= high degree of system and social integration

was no longer viable. Those labour markets and social structures which had emerged as an integral part of the Fordist stage of capitalist development fell into a long decline resulting in a destabilisation of economy and society.

While most authors agree that the Fordist growth model reached its limits, there is no agreement yet on the issue of whether a post-Fordist growth model has materialised, or is in the process of doing so, nor is there any consensus on the mechanism by which it could be regulated. In view of the relatively open stage of the debate, I proposed in this paper that space must be left for different roads to post-Fordism and I outlined two possibilities. In capital-oriented flexibility, the labour market parties deal with each other at the individual level, resulting in a regulation of wages and working hours favourable to employers, who themselves contribute little to public funds. The primary orientation of the economic and social policies of the state is directed towards the promotion of short-term competitiveness (*Standortpolitik*). In negotiated flexibility, by contrast, collective bargaining takes place on the societal level. Here the concrete results of negotiations do not reflect openly the employers' ideas about short-term competitiveness, but also consider the employees' interest in, for example, permanent employment or a family-friendly regulation of the rhythm of working hours and leisure time. In this model, state labour market and welfare policies are maintained on a high level and qualitatively improved.

Theoretical analysis and empirical evidence indicate that different methods of achieving flexibility are accompanied by different modes of societalization and social inclusion. Structural constraints such as globalization do threaten established political and institutional settings but the accompanying deregulation, the downsizing of the welfare state and rising social inequality are not inevitable. Social crises and destabilisation seem rather to be results of growth strategies that pursue the logic of capital-oriented flexibility. Here the integration of the lower classes into the growth strategy is not based on consensus but on conflict; a class struggle from the top. The labour market becomes deregulated and individualised to such an extent that traditional sociological dichotomies such as employed/unemployed or formal/informal occupation lose much of their relevance. As mobility between unemployment, casual employment and different kinds of jobs requiring few or no skills increases, individuals are faced with more and more difficulties in combining their professional and private lives. Empirically, the UK labour market and social structure show many of the features associated with capital-oriented flexibility. Negotiated flexibility, as found in the Netherlands, is characterised by an effective new modus operandi of social inclusion, which integrates different social classes and groups into a common project on growth and the redistribution of wealth. It is based not on conflict but on consensus because consideration in collective bargaining is given not only to the employers' interest in optimal competitiveness, but also to the employees' interest in secure employment, pension entitlements, training, etc. The state is especially concerned with the stable reintegration of the unemployed and other economically marginalised social groups into the economy. This growth strategy does not depend on cheap labour and (over-)exploitation, but on the active integration and skills of the workers.

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[1] Marco Revelli (1997) illustrates this development using the example of the automobile industry. While in the 1930s less than 20 million cars were licensed on this planet, this number rose to 53 million by 1953 and to 195 million by 1970. However, in 1990, there were not 800 million licensed cars, as extrapolation of the hitherto growth rates would have suggested, but merely 400 million, of which over 80 per cent were located in the United States, Canada, Western Europe and Japan. There is today one car for every 1.8 persons in the US and one for every 2.8 persons in the European Union, so that these markets approach saturation. Conversely, a comparison between the purchase price of an automobile and the per-capita-income in peripheral countries leads one to assume that over 90 % of the world population have to do without individual mobility. Towards the end of the 1990s a Chinese had to work for 16 years in order to pay for a small car worth 6000 US-Dollars, an Indian 16 years and a Vietnamese 60 years. Similar developments can be observed with regards to other durable consumer goods.

[2] For the detailed results of this research see Koch 2003 and 2004.