
New Roles for the Trade Unions: Five Lines of Action for Carving Out a New Governance Regime

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Abstract

This article builds on lessons from Denmark and the Nordic area to offer a novel and comprehensive logic of action within the emerging political economy that may be used to assess the possible new roles that unions can take on. The authors argue that unions are capable of “civilizing” globalization and current forms of governance by becoming responsible for pushing for a governance regime in a new and more egalitarian direction.

Keywords

trade unions, civilizing globalization, new governance regime, high performance work organizations, transforming labor markets, Denmark

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In many countries, unions have engaged in numerous strategies to halt or reverse their decline—such as mergers with other unions—and developed new services to become attractive to potential members.¹ They have also increased their transnational involvement, often in the hope of regaining the lost Keynesian governance regime at levels such as the EU or other transnational institutions. However, declining membership continues: labor union studies have measured the degree and speed of the decline, participatory influence, and power of unions. Industrial relations analysts are, in general, pessimistic about the situation of unions and the probable course of capitalist development. Many people hold the opinion that only a strong union movement will be able to recapture the unions' former roles in economic governance by setting wage and work standards through centralized bargaining and by participating in negotiations over public budgets and income redistribution under a Keynesian welfare state. As Hyman has pointed out, unions do not seem to realize they are undergoing a crisis of the old model of unionism—which is related to Fordism and Keynesianism—or that solving the crisis requires carving out a comprehensive set of new roles for themselves.²

In the past, the evolution of centralized wage bargaining, corporatist participation in the development of welfare states, and works councils in firms created a multilevel governance system that protected capitalism against its own destruction and made general prosperity possible. Today's unions should be searching for ways to overcome some of the defects of the current economic regime and help generate a social dynamic in accordance with the current aspirations of the members they help organize. In Erik Olin Wright's words, in some countries in the past, labor created a positive class compromise that was also beneficial to capital.³ But globalization has put an end to this compromise: it has gravely limited the ability of the state to stabilize the economy through fiscal deficits, making the sphere of production the point of departure for a new positive class compromise.

This article builds on the lessons of Denmark and the Nordic countries to offer a novel and comprehensive logic of action within the emerging political economy that may be used to assess unions' roles in other countries. We argue that novel union strategies will be important in co-constructing a new governance regime. We propose five lines of action for trade unions. First, they should **support the formation of partnership as agency** by assisting shop stewards in engaging management in collaborative ties through, for example, works councils (WCs) and European works councils (EWCs) as a counterweight, and to translate strategies, benchmarks, and so on that trickle down from the corporate headquarters of multinationals into a strategy for local development. Second, unions and employers' associations could take on a new role of jointly striving for the **co-construction of high performance work organizations (HPWOs)** to work on the difficult problems that arise in these organizations. Third, unions should engage in **reforming local labor markets to form a new power base** by developing skills and career patterns that enable the new HPWOs to become sustainable and provide for lucrative forms of specialization within the global division of skills and knowledge. Fourth, unions should transform **EWCs into forums for the collaborative development of host localities**, that is, a space to negotiate much more vigorously with the headquarters of multinational corporations about which activities to

allocate to which localities. Such negotiations can be linked to the institutional skills development that is being planned in different localities. Fifth, unions should become more active in **European-wide competition over reforms to local labor markets** by comparing local experimental developments of labor markets and arming themselves with knowledge of the comparative advantages of different institutional arrangements that could supply evidence of and arguments for continuous nationwide institutional reforms.

In the language of the regulation school, what has emerged from different and successive crises of capitalism is a reconfiguration of the form of the nexus between economic regulation and wage labor that has proven strong enough to have given birth to new growth regimes that have been impossible to predict decades ago.⁴ Although our point of departure is closely related to the regulation school,⁵ in which modes of regulation differ for a particular kind of growth regime (being supported by a variety of institutional architectures), we rely on a different way of thinking. In this article we pursue a quite strict argumentative structure circling around Norbert Elias's concept of "configuration."⁶ For example, a configuration captures a distinct phase of capitalist development, where different social agencies are constituted in a historically distinct way that contributes to and integrates the character of these agencies into a distinct set of games with other agencies that add up to the reproduction of a certain system. This set of games also constitutes a certain pattern of governance that reproduces the traces of the configuration during its expansion. However, as a distinct configuration expands, a number of unintended social, economic, and political effects emerge that may provide the impetus for some agencies or emergent new publics to take a new stand toward other agencies and to create pressure to civilize these effects to cope with the unintended consequences. Attempts to change the set and nature of the games within the old configuration may thus give rise to a change in the very configuration, and even create a new configuration of, for example, capitalism.

The aim of this essay is to point out in detail how unions may take on a set of new roles to create a union model that makes them active co-constructors of the emerging society and, not least, in which they gradually learn to exert a civilizing influence on globalization and participate in its governance. Our contribution may be seen as supportive of the *partnership thesis*, which sees post-Fordism as benign to workers, provided unions develop a new role that guarantees workers improved employment relations, turns new human resource management (HRM) practices to their advantage, and finds ways of sharing profits.⁷ In this vision, distributive bargaining makes room for integrative bargaining and employees become heavily involved in governing firms and unions move from centralized to coordinated bargaining. Like Olin Wright, we therefore depart from the conviction that it is within the sphere of production that the search for a new positive class compromise may be found.⁸ However, we are not claiming that this compromise will be limited to this sphere; rather, a new role here may propel unions into negotiations from the firm level right up to the European level.

During our studies, we discovered in particular that current corporate governance suffers from serious defects that unions should address.⁹ These studies simultaneously

revealed how local union activists were working to solve the challenges they face, and how their approach could be elaborated into five courses of action to create a coherent new union strategy, which we discuss in this article. We believe that agency theory and the search for shareholder value have been of tremendous disadvantage to organizations and citizens all over the world.¹⁰ Societies need new proposals about how corporations should be governed,¹¹ who should be involved in this new governance regime, and, last but not least, who should harvest its results.

This article is organized into the following three parts. First we discuss the problems created by the current financial and corporate governance regime. Then we discuss the five lines of action unions could utilize to transform the current governance regime into a new one that would benefit a wider range of the population. Finally, we present our conclusions, drawing out the implications for the trade union movement in respect to its organization within different varieties of capitalism.

Equity Nexus, Corporate Governance, and the Game of Creating Shareholder Value

The current financial crisis has made it evident that the financial system is not functioning as an ideal center of gravity for governance and that its efficiency is suffering from a set of sociopolitical power games. Tony Golding, for instance, calls it “the Institutional Equity Nexus” and reveals the opportunistic processes of this “sub-field” and its place in the emerging configuration of new economic systems.¹² For Golding, the Institutional Equity Nexus operates in such a way that it pays a premium to stocks that are issued on a large scale so that they are liquid in the eyes of portfolio managers, who operate with a very short-term horizon. In itself, this creates rivalry among corporations to grow rapidly through mergers and acquisitions to become or maintain a position as a liquid stock, which again determines whether a corporation becomes the victim or the beneficiary of hostile takeovers. The rules of the game of maintaining comparably high stock prices are not just dependent on running a corporation in an efficient way. Rather, the Institutional Equity Nexus has become a discursive community that continuously develops new ideas for what constitutes efficient firms and good managers. Thus, states, corporations, and managers are benchmarked according to how well they fit into shifting images of what it takes to move toward these shifting ideals. In earlier years, corporations with a large number of divisions and the ability to stabilize cash flows were rewarded, while later focusing on core competencies. Previously, firms’ positions were measured by the number of employees; later, they were rewarded by reducing head counts, and so on.

In effect, corporations are constantly under pressure to adopt new and shifting benchmarks in their strategies and to translate them so as to impose them on subsidiaries, partly to enable a reporting regime that fits with the current discourse of the Institutional Equity Nexus. A stream of novel and shifting performance benchmarks and new demands flows from financial markets down to the supply chain. In this way a new governance system, based on the Institutional Equity Nexus, is able to impose

shifting norms of rationality and organizational forms throughout the system, pushing responsibilities for performance and improvements down to operational teams working within HPWOs.

On the surface, this configuration seems extremely rational, as new concepts of best practice spread rapidly. This creates, so to speak, a form of governance that complements and effectively exploits the potential of globalization. Corporations and states compete with each other to acquire cheap financial resources. Subsidiaries of multinationals contest to achieve new investments and larger mandates. Suppliers compete over contracts and continuous improvements, and so on.¹³

Industrial relations analysts have shown how this type of investment bargaining has led to concession bargaining and regime shopping in which workers and unions in one country give up earlier agreements to compete better with workers in another country, thus opening up a race to the bottom. Such mechanisms have probably played a major part in rescuing capitalism from the profit squeeze of the 1970s and helped generate a system that benefits shareholders and top managers.¹⁴

However, it has also been shown that this governance regime leads to a short-term game among managers,¹⁵ who manipulate performance measures to the benefit of their own careers, a process that risks turning corporations into warring fiefdoms that are so occupied with short-term victories that they may destroy the collaborative advantages and engage in self-destruction of their subsidiaries in the longer term.

Thus, capital itself is dependent on the involvement of the working class that civilizes and protects capital against itself, as under the old positive class compromise, analyzed by Olin Wright. In our view, labor should create partnerships with the managers of local subsidiaries to help the latter achieve their performance goals, but it should also combine this strategy with the long-term developmental interests of the local enterprises. If such partnerships become successful, they might gradually lead to the staffing of multinationals by collaborative executive officers.

The implication of this scenario is that unions are currently seen as being forced into a competitive game of giving concessions to capital. To counteract this pattern, we suggest that workers start a cross-national competition to search for promising ways of constructing desirable outcomes in the organization of work, in restructuring labor markets, and in providing institutional reforms that help their members gain new strengths. Unions must develop international strategies to end regime shopping, either by establishing institutions for centralized bargaining at supranational levels or by establishing mechanisms whereby workers can negotiate collectively and cross-nationally with managers in multinationals, such as through the EWCs.

The five lines of action we suggest offer unions a guide for a new political approach, which is emerging from experimental changes that union members and local activists are engaged in within the Nordic countries.¹⁶ Though these reforms are highly dependent on the national contexts in which they are implemented, we think that it is exactly in societies with strong union representation—such as Denmark and the Netherlands¹⁷—that we can see the beginnings of new and proactive union roles in creating new governance regimes. Our understanding of governance arises from a

stakeholder approach in which corporate governance focuses on the entire system of formal and informal relations surrounding the organization; this governance establishes how control is exercised and how the risks and returns are distributed between various stakeholders, both within and outside the corporation.¹⁸ As we shall see, this means that a number of societal and international levels become the focus of interest for unions. By aligning new roles across this multiplicity of levels, unions may achieve a new coherent strategy. We base our argument on the experimental organization of manufacturing firms, comprising both skilled and unskilled labor in the Nordic countries. None of our companies composing our cases could be considered a purely high-tech company. Actually, in some, the workforce consists of only semi-skilled workers. We therefore argue that the proposed lines of action may embrace the whole labor market and that a link between the high and low roads of development can be created. In this way, our proposal is an expansive model for a societal reconstruction of the labor movement that considers it possible—contrary to some authors—to increase the upward mobility of the labor force to reach a positive class compromise without blocking the preferred options of capital in a single step.¹⁹ For instance, instead of having employment security to keep workers in stable low- or high-skill jobs, the solution is to increase workers' positions by continuous skills development and flexibility, making organizations and capital increasingly dependent on the creativity of the work force.

In what follows, we consider each of the five lines of action in turn.

Five Lines of Action for a New Governance Regime

Partnership as Agency

The new emphasis on partnership between labor and capital is connected to HRM practices introduced primarily in the United States and the United Kingdom.²⁰ Union observers have often seen these practices as permitting managers to weaken workers' collaboration and turn them away from unions.²¹ Thus, the road to partnership is paved with skepticism. Proponents, however, see a great potential, as partners can support each other in achieving their respective objectives more effectively by enabling radical transformations of organizational structure, work systems, and the division of labor of firms—and by compelling people to think in new ways.²² Enterprise partnership may be seen as an exercise in deliberative democracy in which the different actors are expected to collaborate within a decision-making forum that will permit a gradual redefinition of both the identities and interests of participants.²³ Partnerships initiate processes of redefining identities and interests that will feed back to redefining the content and form of the partnership itself. This poses a great challenge to unions, as their jobs as aggregators of interests become much more complex—but perhaps also more timely?

For managers in subsidiaries of multinational corporations, the attraction of partnership is that it may offer a shortcut to improved performance on a wide number of

benchmarks on which their individual career prospects depend. Employees, on the other hand, have seen partnership as a way to protect jobs from being lost to competitive subsidiaries or outsourcing. Often, however, by pursuing their initial interests, both parties discover that they may further their interests jointly by simultaneously respecting the interests of their partners and former opponents. In searching to improve products and processes, managers are driven to a simultaneous search for good standards of employment and decent treatment of employees as a way to build and sustain partnership, trust, and high organizational performance. With strong management involvement in these issues, employees are likely to share information and knowledge about the practical aspects of business operations and how these can be improved as well as participate actively in purposeful problem solving.²⁴ The construction of partnerships thus may encourage both parties to change their perceptions of each other as adversarial actors, thus facilitating the search for common goals and new areas of interest.²⁵ Employees increasingly understand and engage in the pursuit of solutions to the business problems of the enterprise, thus making it easier to improve on organizational performance.²⁶

An important issue, however, is related to the power held by the parties. Partnerships may turn into mechanisms of domination and control by the stronger or better-positioned partner at the expense of the weaker.²⁷ For example, the literature shows that the presence of worker representatives in EWCs is intrinsically problematic. In many cases, representatives are barred from being involved in key decisions due to a lack of training, because of difficulties in dealing with foreign languages and cultures, and because of management's refusal to place items of importance to local subsidiaries on the agenda.²⁸ Thus, employee representatives are accepted into a game that is totally defined by their opponents. One Marxist critique of partnership arrangements points out that, through their support, unions favor an ideology of common interests, contribute to limiting their own independence, and find themselves being captured by an agenda imposed by the employers.²⁹

This view misses the dynamic potential of partnerships, which actually depends on what actors do within its framework. The partners may civilize each other and open up a space for actions that none of them had envisaged. Moreover, this mutual learning effect depends on how unions and employers' associations are able to support their members. It seems possible to develop a virtuous circle that creates agency out of local union representatives, depending on existing forms of worker representation at the firm level. In Denmark—as in the rest of Scandinavia, Germany, and the Netherlands—a widespread system of worker representation at the firm and locality levels, a relatively high rate of union membership, and a particularly strong and protected position for shop stewards and conveners indicate that the decentralization of collective bargaining and agreements has strengthened influence at the local level. The more agreements shop stewards and conveners negotiate, the more union education they obtain; the more they can establish themselves as a (paid) “office,” the more actual influence they will acquire.³⁰ Thus, it takes strong union support to enable local-level activists to become a local agency able to participate in local partnerships.

In one large Danish manufacturing plant, managers had welcomed representatives and conveners as participants in constructing and continuously redefining strategy; they recognized that union representatives were able to mobilize welfare and vocational institutions to enable much more risky moves than were possible in other subsidiaries of the multinational, thereby creating a much more favorable mandate.³¹ By creating a link between the preferred strategy of the enterprise and the aspirations present on the shop floor, representatives and conveners became active partners with management, with the agency to act creatively in the evolution of the firm. This organization represented quite a diverse workforce, ranging from low-skilled to highly educated workers. Conflicts of interest and power struggles as well as great ambiguity were present. The picture it provided was not one of harmony among different working groups, but of actors trying to build an organization that was striving to attain and retain mutual recognition. For these groups, recognizing their diversity of interests helped create flexibility in an environment that required frequent modifications or changes to formal organizational structures and management practice. Shop stewards and conveners played a crucial role in negotiations, assuming part of the responsibility for the continuous improvement of the organization—not only to protect workers from any downgrading of their working conditions but also to implement agreements that simultaneously supported the process of skills upgrading and higher productivity. The subsidiary increased its reputation as an enterprise as well as its mandate and position in the multinational company, and workers increased their bargaining power and employability in the regional labor market.

In this way, shop stewards and conveners won an entirely new position in the plant. In some plants they simply became responsible for horizontal coordination and the holistic operation of the enterprise, thus counteracting the hierarchical coordination and possible suboptimization that can easily take place among middle managers in performance-measuring management systems. But their agency has many drivers for becoming expansionary.

In another case, this expansion followed an interesting dynamic. Shop stewards started the emerging partnership with local managers by involving themselves in workplace transformations. They continued by negotiating training policies but started to worry about the potential loss of managerial partners. They negotiated themselves onto selection committees for managerial recruitment, thus building up their local reputation into a global one by assisting in resolving significant corporate-wide “crises.” This gave them access to distant headquarters, which they used to alter the organizational framework conditions (transfer prices, budgetary constraints, benchmarks) in favor of the gradual evolution of the local plant. Following this virtuous circle of partnering, union shop-floor representatives became the architects of benchmarking factories, the principles of which were transferred to other countries by engaging even blue-collar workers as international consultants. Thus, the hierarchical structure of the subsidiary, the identities and roles of its agents, and their mutual relations were all changed in radical ways.

One of the strengths that union representatives carry into this partnership is their knowledge of and relations with wider welfare institutions. In many ways, local union representatives are connecting firms and institutions in a dynamic and situational way. Through the network involving the wider union organization and its relations to institutions, shop stewards and conveners are able to make the wider society work in tandem with changes in their home firms. Shop-floor union representatives may also use the network to influence the authorities at the municipal level, so that schemes favorable to both the firm and the authorities can be created for the benefit of the disabled, immigrants, and other potentially marginalized groups.

Obviously, there is a risk that unions and their shop-floor representatives will be captured by employers' agendas and simply solve problems for them. If unions are unable to support shop-floor union representatives and members in taking on the partnership role, they risk becoming victimized by the restless fashion industry of postmodern management. However, if unions and their local representatives are able to navigate and set a direction, they might greatly benefit from these restless shifts, which continuously provide new opportunities, impulses for doubt, reflections, and reformulations of their own search for better alternatives and practices.

Co-construction of High Performance Work Organizations (HPWOs)

Although Fordism is fairly well described, this is much less the case with the emerging forms of organizing and arranging work and jobs. Fordism emphasized routinization and automation, the emerging paradigm favors flexibility, quality, lean operational procedures, just-in-time procedures, and continuous improvement and innovation. The main idea that supports the new forms of organizing is that they must base their competitive strategies on the development of innovative products or processes, make fast cost reductions to enjoy higher returns, pay better wages, and be more open to globalization. Today's organizational canon seems to tie organizational success to the very ability to challenge habits and routines.³² New forms of organizational deliberation are replacing the expert-dominated, top-down model of administration with a deliberative model that brings competing interests together in a situation of dialogue with a view to creating mutually satisfactory solutions. This new canon favors organizations whose rules of association, forms of integration, organizational actors' roles, and boundaries of responsibility are ambiguous and fluid. The search for continuous improvement and innovation strategies implies organizational cooperation for the adjustment of rules and formal and informal norms, which must be articulated at different levels to create a distinct process of decision making, which in turn becomes more collective and interdisciplinary. The result is a continuous restructuring of roles, responsibilities, and organizational boundaries among work groups, departments, and even firms.

In our cases, many responsibilities have been located in teams, though the responsibility for the total performance of the organization still rests with a "lean" hierarchy at

the very top.³³ This creates a lasting tension between two principles and poles, which are permanently at risk of undermining collaboration in much the same way as that between headquarters and subsidiaries. In our view, there is no way of resolving these tensions structurally; rather, “the” organization must constantly be renegotiated to allow for unpredictable redefinitions of roles in relation to other firms externally and internal reconfigurations of teams and their ways of cooperating internally. By taking on a new role in this constant experimental process, worker representatives and unions may acquire an influence that is much wider in scope than any role seen thus far and that might be co-constitutive for HPWOs.³⁴ Rather than being negotiated orders, HPWOs become negotiating reorderings.

The literature reflects this and may be divided into three streams. First, some see important changes following in the wake of HPWOs (e.g., empowerment, participation in decision making, reintegration of conception and execution, increased control over task allocation, and continuous improvements in skills³⁵). The organizations require workers to have autonomy over their job tasks, to participate in self-directed teams, to be part of problem-solving and other offline teams, and to communicate regularly with outsiders while simultaneously improving performance.³⁶ As different changes in work systems accumulate, they form complementarities that create circles of reinforcement, implying that the efficiency of one measure is propelled by the efficiency of another, and vice versa. Obviously, in the search for such complementarities, unions and their representatives could play a crucial role.

A second strand of more skeptical researchers is critical and argues that HPWOs may undermine labor.³⁷ Management might use HPWOs to offer employees some promising benefits by which they reduce employee reliance on unions and then use the open field for the intensification of work, insecurity, and stress.³⁸ Proponents of this view believe that a novel form of union militancy is required—one that can fight back, rather than go into partnerships to develop them further;³⁹ meanwhile, others have blamed proponents of HPWOs for highlighting the benefits while forgetting their negative consequences.⁴⁰

A third stream sees the changes in a more contextual perspective. The limited nature of involvement in decision making and the lack of investment in the training and education of the workforce in Britain may have had a negative impact on the development of partnership relations. The limitations to HPWOs are likely to be greater in liberal market economies than in coordinated market economies.⁴¹ To us, this testifies to the fact that life in HPWOs is dependent on the political influence of unions at both the corporate and institutional levels. Edwards confirms this, showing that cases might be categorized as different outcomes in terms of control and developmental concerns for labor compared to capital, the number of different possible outcomes being large for both parties.⁴² Vallas sees the novel citizen rights, participatory democracy, and empowerment (i.e., “normative” dimensions) and the increasing emphasis on surveillance, performance improvements, market relations, flexibility, and so on (the “rational” dimension) as entering into the new managerial regimes simultaneously, creating a tension in practice, so that there is no stable outcome, but rather a continuous process of aligning and

realigning different dimensions of this “regime.”⁴³ In our view, the outcome greatly depends on how the parties negotiate reordering.

This may explain why, “despite proven efficacy . . . , they [HPWOs] have failed to diffuse; institutional isomorphism has been blocked,”⁴⁴ or why the “theoretical virtues of workplace transformation have so rarely been achieved in practice.”⁴⁵ Simultaneously, the move away from Fordist practices appears to have been significant. Lorenz and Valeyre found that on average in the EU-15 countries in 2000, only 13.6 percent of employees said they were working under conditions that could be characterized as Taylorist, while 28.2 percent worked under lean conditions and 39.1 percent under a learning form of work organization.⁴⁶ Thus, a way out of this paradox is to suggest that former forms of work arrangements are breaking up, without apparently settling around a consistent new model. Interestingly, however, it is in countries with strong unions that a new form of “learning organization” with high discretion and efficiency has diffused most widely, such as the Nordic countries, the Netherlands, and Austria.

Our own observations of workplace reform in a number of factories owned by multinationals in Denmark show great variability, which the usual dichotomy of “lean” and “socio-technical” work arrangements as benefiting either capital or labor does not capture.⁴⁷ In one of our case studies in Denmark, a Swedish-owned brewery, teams have achieved incredible improvements in performance over the last two years, moving from 42 percent to almost 70 percent on the “good performance” scale. This improvement required a different form of organization in which workers care about the time and resources they are using. At the brewery, organizational boundaries have been redrawn, the distinction between skilled and unskilled workers has become blurred, and their duties are less clearly defined. This is not the simple change it may appear to be; for several years the boundaries between the various occupational groups were well defined, and an ongoing struggle over professional demarcations contributed to the destruction of the collective action of the workforce. The ability of the shop stewards to discover and negotiate new organizational and occupational arrangements was fundamental to achieving and maintaining these changes.

Although teams are often important, they are created in very different ways, some being initiated by employees, others by managers. In some factories, top managers appoint team leaders; in others, the team members elect them. In yet others, the team leader position simply rotates among team members.⁴⁸ In one factory, the board of the enterprise union club appoints team leaders from among its members. Thus, in some enterprises the new forms of work organization are an extension of older hierarchical principles, whereas in others they are an extension of the shop steward system. These constitutional choices may have important effects on the dynamics of micro politics and reflexivity in firms.

In all the firms studied, teams coexist with remnants of the old hierarchical administration. In some, the entire hierarchy down to the foremen is maintained, but instead of directing individual work stations, foremen are now expected to coach the autonomous or semiautonomous teams. In other firms, the only parts of the administrative hierarchy that remain are upper positions as technical and production managers and supporting

human resources managerial services, with whom team leaders communicate directly. In most cases, shop stewards and conveners have achieved greater importance. As noted earlier, in some cases shop stewards and conveners are seen as a force in horizontal coordination, supplementing and complementing day-to-day hierarchical control of the managerial hierarchy. In this system, partnership and hierarchy as organizational principles invariably compete with each other in search of solutions to new problems. Finally, of course, in some of our cases neither shop stewards nor conveners play such an active direct role; instead, they monitor reforms, practices, and their administration to ensure that they are not developing in ways that contradict, break, or obscure central or local agreements between employer and employees or their associations.

Firms that have maintained a hierarchical structure above an HPWO based on decentralized responsibility for improvements in performance discover that managers at the top often have obsolete information about what is going on in teams, while the technical staff may be overtaken by the technical competence of teams, and so on. In effect, the legitimacy of the hierarchy is called into question. But firms that have considered an alternative to simply letting market forces decide face a new dilemma. For instance, if decisions about the size of different managerial and staff functions in an organization were handed over to the teams' demands for managerial and technical services, only immediate demands and high-performing teams would be able to determine what survives and what does not. The organization then becomes excessively focused on the short term and unable to develop a vision for long-term growth. Emergent novel teams with less well-defined work tasks—the benefits of which have not yet become clear for the surrounding organization—will face less demand and therefore become deselected before they can demonstrate their potential for innovative development.

Consequently, work, managerial, sales, and research and development teams must join in mutual negotiations that give each team the opportunity to explain and compare both current performance and perceived future promises. Such negotiations allow them to reveal future aspirations and find ways to benchmark their possible contributions to the future performance of the firm and other teams. Negotiations also allow the teams to become informed about the possible services that other teams could help supply in the future. This process would institutionalize, within a regime of short-term competitive rivalry, a procedure for long-term cooperation and the search for complementarities that would continually pressure partners to reflect on developmental goals and to rationalize how these goals comply with larger societal changes. Such considerations point toward a constitutional ordering of the enterprise that breaks with both market and hierarchy, and toward a network form of organization that calls for a deliberative democracy, a principle that could be repeated among the subsidiaries of a multinational corporation.⁴⁹

In such a system, unions would take on a new and crucial role. First, they could constantly help firm-level worker representatives formulate their goals in benchmarks, furnish them with alternative ways of organizing, and search for solutions to organizational dilemmas; and shop stewards could take an active role in proposing alternatives in negotiations on company reforms. Second, unions could find ways to develop further

the formal institutions of collaboration (the role of conveners and shop stewards, the formal authority of workers' councils vis-à-vis both normal managerial hierarchies, and the adhocracies of committees and secondary teams).⁵⁰ Thus, workers' councils have the potential to become the monitoring centers for creating continuous improvements on which entire firms depend, increasing attractiveness to workers and shareholders alike.⁵¹ Third, unions could take on a new and unusual role. As the search for new experimental solutions to the problems of the new constitutional ordering goes on in individual firms, unions could be the bodies that monitor individual firms' experiments; they could compare and develop metaorder benchmarks that allow for learning across firms. Without unions taking on this role, it is indeed difficult to see how experience can be stored and who can best compare and diffuse best practices among enterprises. Capturing and developing such a knowledge base would also allow unions to take part in setting the agenda for organizational reforms, instead of just simply responding to capital's agenda.

Reform Local Labor Markets to Form a New Power Base for Unions

Globalization, regime shopping, and investment bargaining, the transition to lean forms of organization, the decentralization of responsibilities, outsourcing, and so on have not only changed the organizational life of firms and corporations but also affected labor markets and working careers just as dramatically and put institutions for employment protection under extensive pressure—for example, in Germany, France, and Japan. In Anglo-Saxon countries in particular, the new organizational forms have undermined working careers oriented toward vertical promotion within a single company; instead, a new pattern of horizontal mobility among firms is in the making, with job hopping being a normal phenomenon.⁵² The emergence of such labor markets has been an important explanatory variable for the success of radically innovative clusters such as Silicon Valley. Flexible labor markets, often with individual contractors working on fixed-term contracts, constitute a new modus for creating the dynamics and fast learning associated with high levels of innovation. These transformations have had dramatic repercussions for unions; they have almost been modeled to serve the interests of different professional groupings that have established themselves in specific positions within bureaucracies. Integrating planning and execution, maintenance and operation, continuous improvements and innovation, and the computerization of offices and factories have made numerous job demarcations difficult to defend for unions. Unions often find they are fighting each other rather than employers, thus alienating members who are trying to enrich their jobs by abolishing the old separations of tasks.

During the 1980s and the 1990s, these transformations came with high unemployment and stagnant or declining wages so that weak bargaining positions made it easy to conclude that, in the new regime, capital played the upper hand;⁵³ workers had to agree to work longer hours, under stressful conditions, which undermined their private lives. Ironically, however, Barley and Kunda find that becoming an individual

contractor is as much an “unlikely rebellion” against organizational politics under the guise of ill-informed, opportunistic, and frequently changing managers as a search for egoistic ends.⁵⁴ Thus, the breakup of old labor markets has many different causes and may have very diverse outcomes.

What has happened among itinerant expert contractors in Silicon Valley may teach unions a very important lesson, as contractors opted for a strategy of offensive skills acquisition in such a way that they always tried to accumulate skills that made employers compete for their services and agree to hire them at salaries beyond normal levels.⁵⁵ To live with this game, the contractors have created dense personal networks in which they can develop, recognize each other’s skills, and exchange information on possible future jobs. Barley and Kunda demonstrate how such contractors develop personal networks, the magnitude of which is much larger than those of employees in permanent employment. These networks constitute “clusters of domain-specific knowledge” that can develop in very proactive ways, serving as a mutual insurance against skills becoming obsolete.⁵⁶ To a certain degree the networks allow participants to combat the regime shopping of capital through the job hopping of professionals. In the United States, this strategy has been reserved for certain advanced professionals, but unions engaged in institutional reform might be able to transfer it to lower skilled groups.

Danish flexicurity, which combines labor-market flexibility and social security, does not merely make hiring and firing easier for employers.⁵⁷ Welfare benefits are not used solely for promoting social equality: perhaps the most important aspect of the welfare regime is workers’ ability to upgrade their skills through continuous training, not only during periods of unemployment but also at different stages in their working careers. The combination of high mobility and continuous skills upgrading produces a labor force that frequently moves between employers, builds working careers across many firms, and therefore accumulates many social ties. Employees see mobility as an important means of skills enlargement and security against unemployment. Rather than being fired, the main reason for workers changing jobs is their search for new challenges, in which way they simultaneously increase their bargaining power vis-à-vis employers.

An example of these changes at the lower end of the labor market in Denmark is the creation of an educational program for unskilled workers called Industrial Operator. The participants are older than twenty-five years old, with at least one year of experience in the industry. The program runs for eighteen months with the intention of creating generalists rather than skilled workers. Participants receive part of the training of a skilled worker, but do not specialize in any specific area. In several firms, workers spend half their time as trainees in different departments of the firm. The intention is to educate flexible workers who can rapidly learn to operate new machines and solve problems of varying magnitude. The training also involves a great amount of information related to organization theory, industrial organization, lean production techniques, and philosophy, which receive special attention. The Industrial Operator scheme was introduced to all industrial sectors as an important tool for more general

organizational developments, where the use of self-managed teams has become widespread in recent years.

The Industrial Operator form of education is perhaps the most widely institutionalized mechanism by which a worker may make the move from a low- to a high-road career in Denmark. But during our case studies, we found many ways in which local union representatives had simultaneously engaged in engineering change in enterprises and had created elaborate roads for workers to transform their professional identities toward the high end. This is probably the reason why, in Denmark, 60 percent of employees say they work in “learning organizations” and nearly 90 percent say they make use of their own ideas at work.⁵⁸

Does this mean that unions should simply block other, less demanding forms of organization or the “low road” for capitalists? Actually it is becoming increasingly difficult and highly demanding for new entrants or long-term unemployed people to enter HPWOs in one discrete step; it is much easier in other types of jobs. The solution is for unions and local employee representatives to create individualized “rites of passage” so that initial employment in less demanding organizational forms is used actively to acquire the competencies needed to jump into the arena of HPWOs; once in the organization, workers can move to more demanding work teams.

Once workers improve their skills by using welfare schemes and maintaining high levels of mobility, they improve their employability as well as reduce the possibility of downward mobility, because firms need to compete mutually to recruit the best employees by offering good wages, challenging work, and good working conditions.⁵⁹ A high level of workforce mobility also creates a virtuous circle that improves and boosts the formation of networks among firms. By keeping good relationships with former colleagues and employers, Danish workers help firms build strong ties of collaboration and information sharing. High internal skill levels and rich access to external skills in other firms make companies look for challenges beyond current routines. In this way, skills become self-propelling.

Traditionally this gave craft workers highly open careers, such as becoming entrepreneurs or high-level managers,⁶⁰ which they achieved by frequent job shifts, moving across firms, and making use of a dense training system. Today, with new HPWOs, employees are moving horizontally in highly individualized ways through positions and training, thus effecting an experimental transformation of both firms and the working population. In this process of mutual redefinition, union activists may play a crucial role in enabling different groups to engage in continuous redefining of professional identities. This transformation takes place by constantly broadening the scope of the institutions and increasing the sophistication of the levels and range of courses offered. In this way, the unions might create a ladder that brings the majority of the population into contact with the networks of innovative cooperation that globalization offers.⁶¹ To create, monitor, and change institutions that allow for this could be the unions’ most important societal role. The task is not simple. First, it requires aligning former professional specializations with emerging new forms of work organization, which will partly oppose and partly be shaped by professions as they transform themselves to

occupy new organizational roles as team workers, leaders, coaches, benchmark designers, organizers of procedural justice, negotiating bodies, and so on. Second, as professions break into "clusters of domain-specific knowledge," organize settings where members can meet, develop their knowledge of and connections with international communities, and finally, continuously cultivate their knowledge and skills bases, they need an agency to take account of how the labor market forms a distinct identity in the international division of labor.

EWCs as Forums for the Collaborative Development of Host Localities

EWCs have attracted much attention, for the agreement that established them and for their development as organizations.⁶² Discussions divide basically into three different positions. First, some are supportive, seeing EWCs as intervening with corporate governance by creating new structures of regulation that involve worker representation in decision making.⁶³ Others, the so-called Euro-pessimists, point out the greater ability of companies to opt out of already limited requirements, often leading to voluntary arrangements, with trade unions having insufficient resources to generate cohesive policies and activities across Europe.⁶⁴ Taking a radical position, Streeck points out that EWCs are neither European nor works councils and "will certainly assist [multi] national companies (MNCs) in building company-centred and management-driven industrial relations or human resource regimes."⁶⁵ Though the ability of unions to organize transnational collaboration differs among sectors, the general impression is that local trade unionists will fight "to retain existing jobs, thereby accepting the logic of worker-to-worker competition" (p. 22).⁶⁶

Although the literature is pessimistic about the future role of EWCs, Marginson and Sisson argue that for representatives EWCs represent a potentially vital body for cross-border exchanges of information. With dynamic experimentation in subsidiaries and local labor markets, information exchange could be vital for the ability of multinational corporations to make rational and timely decisions; it offers a corrective to exchanges of information within the managerial hierarchy, where voice is influenced by opportunistic, individual career considerations.

Such a development will be complex, as EWCs reflect the variability of the contexts. For instance, they are influenced by national industrial relations traditions in the company's country of origin or differences in format between management and employees.⁶⁷ American and British companies have resisted possible changes in the governance of firms that EWCs can bring about,⁶⁸ because they are more management dominated than continental multinational corporations.⁶⁹ Knudsen and Bruun reveal that the Scandinavian tradition of a decentralized approach to company-specific issues implies that employee representatives negotiate agreements, thus limiting the involvement of trade union officials.⁷⁰

However, if employee representatives were to form partnerships with local management and engage in ongoing transitions of subsidiaries and related transformations in

the institutions of local labor markets, they would bring considerable knowledge of future options for the multinational in different localities to negotiations in the EWCs. This knowledge would compensate for the lack of detailed substantial knowledge among top executives. Perhaps more importantly, such negotiations would make representatives discover that their own subsidiary could benefit from having others specialize in new skills that are different from their own, thus discovering the potential for new collaborative ties. In this way, EWCs could become important bodies for co-constructing global dynamic complementarities, in much the same way as mutual negotiations among teams in local plants. In the case of the Swedish brewery, the EWC has become exactly that kind of institution; it allows for the exchange of information among trade unionists of different nationalities, enabling them to compare the different competitive advantages of each subsidiary, which in turn has made it possible for them to negotiate with management for a better allocation of resources among the subsidiaries.

How might unions assist employee representatives in taking on agency and transforming EWCs in this direction? As soon as this different method of investment bargaining has been initiated, unions might use their mutual transnational relations to educate each other to the best of their abilities in the art of supporting EWC representatives in how to become advanced negotiators capable of influencing and gaining the respect of top managers. As shown elsewhere, this dynamic might simultaneously combine with a major transformation of the European community, where citizens from different localities collaborate across country borders in reconstructing multinational corporations as international collaborative associations.⁷¹ Although this possibility might have looked very utopian a few years ago, the financial crisis makes it much more likely that in the future multinationals will have to finance their expansion through a consortium of financial institutions from different countries, meaning that the latter also impose a negotiating reordering on multinational corporations.

However, unions have not focused attention on any such transformation of corporate governance: they have preferred to use bodies such as the European Trade Union Confederation (ETUC) to resist the neoliberal turn and to establish a pan-European corporatism that could work toward a European Keynesianism and prevent “a race to the bottom.”⁷² But as Marginson and Sisson argue, the unions are far from realizing this vision. Rather, in country after country, we are witnessing a turn to decentralized local bargaining.⁷³ Rather than seeing this as a threat, unions should collaborate across Europe to expand from within this bargaining pattern.

Today European-wide issues and local concerns can be connected only arbitrarily. By pressing for abstract forms of regulation at the European level, unions simply speak a language that cannot relate to the concerns of local union activists. To the latter, it seems as if union bureaucracies have turned their attention in completely the wrong direction. This illustrates the huge dilemma that unions and employers’ associations face in the age of globalization. They need to work on an international scale with and within international organizations. They also need to focus on local experiments and to find ways to civilize and codify them to negotiate a turn toward a gradually improving society.

Obviously, given the path they have chosen so far, unions cannot move in both directions without facing a basic crisis over which route to take—especially because they face their own financial crisis with the gradual loss of members, even in such countries as Denmark.

We believe one way out of this dilemma would be for unions to focus less on centralized bargaining institutions and wage and employment levels. If instead, unions develop comparative knowledge about how new forms of work organization have progressed in different companies, how reforming labor markets are developing in different parts of the nation, and so on, it will be much easier to help local representatives discover where they have comparative advantages and disadvantages. In this way, they could help representatives prepare for sophisticated negotiations and suggest solutions where corporations and localities can succeed.

As unions learn to assist local representatives in preparing for negotiations in EWCs, they create a channel for negotiations that may supply information about possible shortcomings in local labor markets in their home nations. Where local representatives are unable to achieve desired outcomes from investment negotiations, important knowledge may be generated about defects in making local labor markets competitive from a comparative perspective, which can constitute important knowledge for suggesting reforms in national neocorporatist negotiations. Working closely with EWC representatives, unions are building up knowledge that strengthens their ability to take on new roles in national and European politics.

European-wide Competition over Reforms of Local Labor Markets

By focusing on comparative ways of transforming labor markets and the advantages that they offer their members, unions could become experts in suggesting and engineering reforms, thus making it possible for their members to benefit from globalization. They would need to participate actively in multiple levels of negotiation and engage wherever the EU Open Method of Coordination has been set in motion to evoke institutional innovations in regional and national labor markets.

By comparing how, through institutional reforms, different localities serve their constituencies differently in creating dynamic comparative advantages or disadvantages, unions create the diagnostic knowledge that makes it possible to raise general questions while simultaneously identifying general needs for reform at the national level. In this way, corporatist negotiations between the state and social partners could become fundamentally substantiated; the more unions consult representatives at the firm and local levels, the better equipped they are to win these negotiations. This would simultaneously create significant resources for the state to maintain its comparative institutional competitiveness.

Offensively, these reforms might help foster and provide institutional support for the prospective evolution of clusters of domain-specific “professions” that can add dynamics and bind local labor markets into global networks of innovation. Defensively, this strategy could mean engaging in joint actions to help repair labor markets that have

evolved into stagnant or depressive states—that is, to help welfare states transform themselves from providing social help to enabling dynamic adaptation.

But unions can make use of the same information and knowledge in a more international and solidaristic way. Once some countries have demonstrated the possibility of new and different political actions, others can try adopting and translating promising solutions, given a sufficient transnational exchange of information.

Thus, instead of searching for ways to realize the social democratic vision of a Keynesian social Europe, trade unions in Europe could, through the ETUC, mobilize the EU to choose “high” instead of “low” roads to labor-market flexibility.

Mobilization in the wake of the ETUC becoming engaged in the European Charter of Fundamental Rights was actually one of the most successful outcomes in the recent history of the ETUC.⁷⁴ By granting all EU citizens access to education, vocational, and further training (article 14), equal rights for men and women (article 23), and the occupational integration of disabled persons (article 26), as well as securing a number of union solidarity and welfare rights (articles 27–36), unions may find ways of using these articles to force national governments to work toward the transformation of labor markets. The charter may be an important tool for imposing social concerns on decision makers in cases where they would tend to be more attentive to purely economic concerns.⁷⁵ Thus, the Charter points to a potential “third way” that is different from both the social democratic and neoliberal paths. All the articles come without standards, but nothing prevents unions from engaging actively in specifying high standards that reflect best practices among member states to monitor aspirations for reforms within them. In this way, unions could help in organizing a race to the top in the EU.

Furthermore, the ETUC does not need to wait for the European Employment Strategy’s Open Method of Coordination (OMC) to take on a cross-country learning process of novel institutional reforms and forms of work organization that enable employee self-transformation. This learning process could be organized within the ETUC itself as an internal OMC that is used to provide national unions with deeper insights into different institutional innovations in different countries and thus provide the ground for direct, concrete, and profound critiques of national policies. In this way, the ETUC and national unions could actively suggest the type of institutional reform that would make enterprise partnerships, organizational forms of firms, and labor markets that are favorable to workers and unions. Such an ETUC-OMC could directly help inform discussions at the levels of enterprise, local labor markets, and national institutions. In respect to the multilevel strategies being proposed, this configuration would help unions set their own agenda in trying to civilize the current regime of corporate governance.

Conclusion

During the years of Fordism and Keynesianism after World War II, unions played a major role in governance by, for example, participating in centralized negotiations over

wages and state budgets (taxation, level, and type of spending). Within the new corporate governance regime, the financial community has taken on a new and proactive role, bringing together a new coalition of global organizations and creating a neoliberal wave that has imposed changes—to varying extents in different countries—in the games played by different constitutive actors. The new regime displays a strong emphasis on financialization, new public management, the marketization of public services, the global orientation of corporations, mergers and takeovers, and investment bargaining, thus forcing unions and wage earners into games of concession bargaining.

Seen from one angle, this configuration of the current governance regime seems very market driven, imposing a strong discipline of rationality fostered by global competition among its participants. From a number of new studies, however, another picture is emerging in which opportunistic game playing prospers, leading to short-termism, self-seeking managerial careers that undermine the long-term viability of corporations, fashion-driven allocations of financial resources, and so on, that risk undermining the foundational strengths of the configuration. This situation has become very clear in the dramatic consequences of the current financial crisis.

The very need for a new phase to civilize the configuration of the current economic regime offers unions a new chance to enter the contest and capture a strong role in the governance and set of games that will bring about the next configuration of capitalism. This role, we have argued, starts by engaging the managers and shop stewards of subsidiaries of (multinational) corporations in **partnership as agency** to counteract the opportunistic careers of managers and simultaneously create a counterweight to the games played between corporations and financial markets. Through this partnership, a **co-construction of HPWO** that simultaneously meets corporate and labor demands can take place, as it offers laboratories for unions to explore how human resource development and skills upgrading can be organized jointly with continuous improvements in performance. However, this potential within firms may be successfully accomplished only if unions succeed in **reforming labor markets to form a new power base**. Labor markets must be organized in such a way that workers can pursue careers at work and vocational and further training that constantly increases competencies, transcends existing professional identities, and turns the collective of the workers of a locality into an attractive resource over which multinational corporations will compete for access. In managing labor markets with such aspirations in view, rather than seeking a monopoly over the organization of workers with similar and stable skills, unions can fight for the differentiation and advancement of skills to create routes for individuals to move from low to high skill levels in the course of a lifetime of employment. Unions and employee representatives with a vision for developing the skills of a local labor market in a distinct direction are in a much better position to assess the costs and benefits of different types of investments in subsidiaries, which might turn **EWCs into forums for the collaborative development of host localities**. Investment bargaining would be turned on its head, and corporations might gradually be transformed into associations for generating complementary development for its host localities. As far as we know, nobody has an answer for how local labor markets can be transformed and how

the reformed institutions in which the new labor markets are embedded should be run. Nonetheless, unions have an opportunity to organize a search for answers to these questions by making transnational organizations the forum of their search; this is where different national experiments can be comparatively assessed and eventually used to influence such processes as the EU employment strategy. The International Labour Organization (ILO), ETUC, and other bodies may be used to initiate a **European-wide competition over reforms of local labor markets**, which may assist unions in moving national states toward diffusing promising social innovations and novel institutions.

The lines of action for the new role matrix for unions suggested here build on reflections on the experiences of Danish and other Nordic countries with strong local shop stewards and conveners, who are represented on WCs, boards of corporations, and corporatist bodies in vocational schools at the municipal and regional levels. They work within a regime of organized decentralization supported by a well-established system of unemployment insurance that makes it possible to participate in local politics on a multiplicity of levels. But does this restrict this union reform to unions that operate in a similar social space in other countries? We do not think so.

Although the search for a new matrix for the role of unions may be easier in Denmark and similar countries, its adoption may become much wider, just as the neoliberal turn spread from the United States and United Kingdom to a much broader spectrum of countries. For instance, in France, where unions were constituted for central negotiations with the state and peak employers' associations and where local union representatives have less autonomy, the role matrix must be activated in the reverse manner. Competitive ideas for labor-market reforms from, for example, ETUC might be used to confront a government that might otherwise import, for example, a distorted version of Danish flexicurity. Such negotiations might be used to form novel labor-market institutions, where representatives of peak organizations of the social partners might monitor general ideas, but where local representatives of firms and employee groupings would supervise the local adaptability. Similar dual representativeness is already in place in the case of WCs and EWCs, and it will probably be much easier for French unions to make the five lines of action operate in concert than it would be for Danish unions. Germany, on the other hand, constitutes a controversial case. German unions are empowered by the concentration on employment protection and highly institutionalized career paths within firms. This provides a multitude of possibilities but might also inhibit the search for novel skills in local labor markets.

Local unions in other continental European countries have pressured firms into experimenting with advanced organizational forms by making use of WCs in novel ways to create a new momentum for enterprise and vocational development.⁷⁶ The United Kingdom and the United States probably pose the greatest challenges, as those country's unions have suffered serious declines and are currently under attack. Yet as these states suffer with the current financial crises and need novel ways to rejuvenate the governance of their economies, unions may play a major role by suggesting

reforms in local labor markets and training institutions; from there, they will be able to influence corporate governance and the design of HPWOs.

Clearly, the connectivity of the five lines of action helps create a new overarching role where activities at one level help reinforce activities at other levels. This connectivity, or interdependence, is what strongly distinguishes this approach from former contributions to union reforms. Unions are already actively discussing the possibilities suggested above, but most often they see them as challenging their existing role matrix as imagined from the previous regime. By taking a holistic position, we think it is possible to contribute important inputs to a new wave of labor scholarship that explores the potential for unions to serve as proactive organizers and system builders, seizing and shaping the challenges they face.⁷⁷

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Notes

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