

Social Europe and the Third Way: The »New Labour« Challenge to European Social Policy¹

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Introduction

The major debate in Europe today is about the scope and capacity to develop a distinctive »social model« of economic organisation, one that is not simply a carbon copy of the US model of unregulated capitalism. However, in the context of competitive pressures unleashed by globalisation, it is often argued that the strong and sustained growth of the US economy over the last decade – in contrast to the persistence of relatively high unemployment in Europe – has made it necessary for social democratic governments to pursue reform of labour markets and the welfare state.² For example, US economists Lawrence Katz and Alan Krueger have claimed that more »flexible« labour markets and other demographic changes in the US have reduced the »natural rate of unemployment«, facilitating expansion without the reappearance of high rates of inflation.³ Similarly, reform of the welfare system has increased the supply of low-paid labour, preventing the build-up of wage pressures which might have choked expansion. Unless Europe adopts similar measures, the argument runs, unemployment will remain high and excessive burdens on European business will render it increasingly uncompetitive. According to the *Wall Street Journal*, »the missing part of the policy mix« in Europe is a commitment to »a sweeping program of supply-side tax cuts and labor-market deregulation« (March 2, 2000).

The purpose of the present paper is not to provide a critique of such arguments, however politically tendentious and unsound they might be as a matter of economic analysis. Already, past estimates of growth in US output and productivity have been revised downwards, and current growth estimates indicate a significant slowdown, if not a recession⁴. And in any case, a more convincing account of higher US growth rates over the 1990s would focus on the advantage of unrestricted access to the huge internal market and the restructuring of the US economy following the end of the cold-war. The leading position of the US in research and technology has flowed through to the benefit of US corporations in the productivity revolution, while the collapse of the Japanese stock market has allowed the acquisition of controlling interests in many Japanese firms. – Moreover, the structure of US capital markets encourages the raising of equity finance for investment in new technology. In the US, equity capital in the IT sector is about three times bank loans, whereas in Europe the ratio is reversed, and the technology

share of stock market capitalisation exceeds 30%, whereas in Germany and Britain it is around 5%. European investment capital has therefore been exported to the US, depressing the value of the euro.

Moreover, the structure of US capital markets encourages the raising of equity finance for investment in new technology. In the US, equity capital in the IT sector is about three times bank loans, whereas in Europe the ratio is reversed. In the US, the technology share of stock market capitalisation exceeds 30%, whereas in Germany and Britain it is around 5%. European investment capital has therefore been exported to the US and consequently has been the main factor depressing the value of the euro.

These factors have reinforced the global dominance of US-based multinational corporations in more obvious and direct ways than any advantages derived from the state of labour markets. »Flexibility« is a term of varying meaning, but if it is taken to mean primarily the availability of a suitable labour supply, the US as a high wage country is able to secure all the labour it requires, skilled or unskilled, simply by relaxing its immigration controls. This in fact has been occurring over the last few years in both the high technology and low wage sectors. Nevertheless, the claimed need for labour market and welfare reform is significant because it gives expression to real political pressure exerted by capital on the state its control over labour and shift state expenditure from welfare.

Accommodation with these forces in the mid-90s by the Clinton »New Democrats« produced a new concept of social policy known as the »third way«. This was a transformation of the original conception developed in the period up to Clinton's election in 1992 based implicitly upon the Socialist International's 1951 programme, which marked out a distinct path for social democracy between US free market capitalism and Soviet Communism. Instead, the »third way« became a »triangulation« of the differences between Republicans and traditional Democrats. In turn, this formed the model for »New Labour« in Britain following prime minister Blair's abandonment of his brief flirtation with »stakeholder capitalism« in 1995-6.

At first, the 'third way' met with a sceptical response amongst social democrats on the Continent where it was seen as a residue of neoliberalism peculiar to the distinctive Anglo-American model of capitalism. However, the appearance of the Blair/Schroeder document in 1999⁵ demonstrated that this attitude gravely underestimated the potency of the third way as an ideological vehicle for reform in a social democratic dominated Europe. Significantly, there have been attempts over the last few years in Europe to place greater emphasis on the need for »competitiveness« and »flexibility«. In the short-term, the Blair/Schroeder document was buried in Germany by an adverse reaction of the governing party and a series of defeats in state elections. However, the 1998 Cardiff summit under the UK presidency and, more recently, the 2000 Lisbon summit have been used to signal a more sustained assault on the traditional European model of »social capitalism«. In particular, given the political and institutional obstacles to labour deregulation, the »Cardiff process« of structural reform has targeted the liberalisation of product and capital markets, with the aim of promoting deliberate and inevitable spillover effects in the labour market.

Focussing on the experience of New Labour in Britain, this paper provides an outline of the political character of 'third way' labour market policies, and their impact in a European context. Firstly, though, we point to some of the difficulties in providing a coherent formulation of third way ideology to distinguish more clearly the real content and direction of the policies from their propaganda which attempts to convince social democrats that the third way saves as much as possible from neoliberalism. This rhetoric was relatively successful for the first two years or so of the government's term, with the result that the implications of the »third way« for the position of unions in Britain and in Europe as a whole are only now being widely appreciated. We shall argue that 'third way' policies are not merely a cautious or watered-down version of traditional social democracy⁶, but essentially a consolidation and continuation in a different form of the neoliberal anti-trade union »deregulation' agenda.

Ideology of the third way

The attempt by Professor Anthony Giddens to provide a theoretical formulation for New Labour's third way⁷ is generally reckoned to be a failure. The issue is not simply whether or not one agrees with the positions he has adopted. Nor is the problem that Giddens' book is a jumble of disordered and conflicting ideas garnered from an eclectic array of primarily academic sources. A more fundamental difficulty is that turning the neoliberal sow's² ear, the antithesis of the basic values associated with social democracy, into the silk purse of »renewed« social democracy is a task beyond the abilities of even the cleverest academic conjuror. Prime minister Blair has always maintained that the third way is consistent with traditional social democratic »values«; it is merely necessary to adapt some of the old and now inappropriate policies to different circumstances to ensure that the values themselves remain relevant and achievable. Ideology, however, is less concerned with detailed policies than with basic principles; and Giddens claims to be putting »theoretical flesh« on the »skeleton« of policy making, »to provide politics with a greater sense of direction and purpose« [p 2]. By avoiding detailed policy, however, he merely incorporates inconsistent neoliberal values into his revision of social democracy, presenting critics of the government with an easy target.

It might be acceptable for American commentators writing for a predominantly business audience to state baldly that the victory of New Labour in 1997 »represented not a defeat for Margaret Thatcher but a consolidation of her revolution«⁸. But in Britain, such a claim is usually identified with the »hard left«, outside the mainstream of Labour politics. The faithful are supposed to see the arch-priest's social democratic robes. Giddens' reincarnation of social democracy as the third way has the unfortunate consequence for the government of legitimating the extension of such critical attitudes as tensions magnify between government, party and unions. If Giddens' triangulation of social democracy and neoliberalism does indeed represent the ideology of the government, it allows the critics to occupy the standpoint of traditional social democracy from which the Government has, on its own admission, departed. Unfortunately for Giddens, Labour's supporters have not swallowed his claim that »globalisation« has killed social democracy. On the contrary, they see it as temporarily submerged by the long domination of

neoliberalism and overdue for resuscitation. Their faith is currently sustained by the Conservatives' failure to constitute an effective opposition, a booming economy at least for the rich – a surplus on public accounts, and a public opinion sympathetic towards trade unionism.

It is therefore not surprising to see prime minister Blair in a speech early last year at the celebration of Labour's centenary placing putting himself back into the mainstream social democratic tradition, reserving special praise for Anthony Crosland, whose views according to Blair »were not sufficiently heeded over the [following] 30 years.« Crosland's writings in the 1950s are the classic exposition of »old-style« social democracy the combination of Keynesian economic policy and state welfare programmes that are the main object of criticism and differentiation for the third way. But Blair's identification with the Crosland legacy and his implicit claim to be carrying on the same old battle against the left merely creates a new set of difficulties.

Crosland's views were not insufficiently heeded because the Labour Party moved to the left; they were ignored by Labour governments pursuing more fiscally and socially conservative agendas. As a member of Wilson's 1975 cabinet, Crosland voted against the IMF-instigated public expenditure cuts. Nor would he have supported the traditional »'family values' and coercive welfare programmes central to the third way. The left which vociferously opposed Crosland on public ownership is no longer a force. The tensions at the present time run between the government and those who adhere to the Croslandite tradition, including most of the trade union movement⁹. By resurrecting Crosland, written off unsuccessfully by Giddens as a dead duck, the prime minister has sanctified a stick with which his critics on the left can beat the government.

As the government has tacked ideologically to the left, so too Giddens in his reply to critics of the third way¹⁰ has sought to repackage it as a contribution from the traditional left, claiming that »third way politics is not a continuation of neoliberalism'« [p 34]. However, in firming up the detail of his employment policy in the wake of the Blair/Schroeder document, whose importance he rightly emphasises, he confirms that the third way's central tenet on promotion of »competition« is synonymous with the neoliberal position – »flexibility does indeed entail deregulation« [p 76]. And here he uses the comparison of the dynamism of the US economy in contrast to the sluggishness of the European to underline the existence of »two competing perspectives« on labour markets.

The uncertainty characterising New Labour's brief ideological history has tempted some commentators to dismiss it as rhetorical »blather« and focus instead on concrete policy what the government does is more likely to be clearer than its attempts to define a new theology. Implied in this attitude is the view that, contrary to the claim by Giddens, 'theoretical flesh' is not needed »to provide politics with a greater sense of direction and purpose« and therefore nothing important is lost if the pretence is abandoned. This claim is partially true but it begs a number of questions. Does government policy have any direction, or is it really made in the absence of a controlling theory, as Giddens alleges, »'on the hoof'? If it is guided by strategy, what controls the strategy if not the ideology or values to which the government subscribes? And why does New Labour, along with other governments, need to define its position and outlook more or

less coherently?— We suggest that ideology does perform an essential function, not in the determination of policy but in its presentation and in maintaining political support. The difficulties New Labour has experienced at the ideological level are therefore symptomatic of more deep-seated difficulties over policy, which New Labour is compelled to present as consistent with social democratic values.

New Labour's policies

In the main, New Labour has accepted the policies inherited from Conservative governments embodied in their labour legislation from 1980. In part, this has been done as a matter of conviction. Prime minister Blair has frequently told the unions that the days of strikes without ballots, mass picketing and secondary industrial action are over for good. On other occasions, however, the impression has been created that New Labour would like to do more to assist the unions recover their previous levels of membership and influence, but is constrained by what is acceptable to employers and public opinion. This approach holds open to unions the prospect of further changes favourable to their interests when circumstances permit, providing an inducement for continuing to support the government and muting their criticisms. An alternative view, however, is that New Labour's approach is broadly consistent with Conservative policy far from marking any reversal of direction, it will consolidate and extend it by different means, just as the ancient world was warned to »beware of Greeks bearing gifts«.

Take first the »partnership« schemes between employers and trade unions to be funded in part by the state. Partnership is an attractive notion to a union movement severely damaged by the combined effects of unemployment, legislation and the encouragement given to hostile employers. It seems to hold out the promise of the entrenched influence enjoyed by some of the powerful union movements on the Continent. However, as recent events in the German metal industry have shown, such arrangements are not incompatible with resort to militant tactics and do not rule out the pursuit of union objectives through conflict. The danger in the UK partnership schemes funded by the employer and the state is that their continuation can be made conditional upon an absence of conflict¹¹. The two approaches thus become mutually exclusive.

The effect is that unions may acquire an interest in discouraging their members from taking militant action, creating a »partnership« without influence for workers and institutionalising the present levels of union weakness¹². There is a persistent danger that trade unions which have lost the habits of and confidence necessary to take industrial action will trade independent action in defence of their members for a charade at the »partnership« table. Likewise, they may also discourage their members from taking action claimed to be unrealistic or merely disruptive, effectively functioning as an arm of the management. Arguably, many of the Japanese unions now function in this manner. Partnership is therefore something from which unions must be free to disengage when necessary without bringing their finances or organisation into serious jeopardy. This should be the difference between a staff association and an independent trade union, but the distinction may become blurred if a weakly based integrationist approach is pursued.

Secondly, the right to recognition created by the Employment Relations Act 1999 where a union wins majority support in a ballot is generally seen as a support for collective bargaining, despite some shortcomings such as the requirement that recognition should be approved by 40% of all workers, including those not voting, in the bargaining unit. The effect of the legislation before its coming into force and subsequently has been to encourage recognition agreements where it is clear that a majority of workers support recognition and employers have wanted to avoid a ballot and retain some control over the choice of union to be recognised¹³. However, it is also possible to view this legislation, especially in light of the US legislation on which it has been modelled, from a fundamentally more critical perspective. In a different climate in the future, when employers might be motivated to oppose unions seeking to win greater influence over their decision-making, this legislation could be used to undermine collective bargaining, to resist recognition, and even to encourage derecognition. Indeed, there is already evidence that US firms in Britain are introducing training in union avoidance techniques used by their parent companies.¹⁴

The new recognition procedure has more in common with the Conservatives' 1971 Industrial Relations Act than with the Labour government's 1975 Employment Protection Act, based on the recommendations of the Donovan Royal Commission in 1968. Whereas the Donovan Report expressly rejected the US model as suitable for British industrial relations, the Industrial Relations Act was a systematic attempt to introduce at a single blow the major legal elements of that model and impose them on the unions by force of law. Unlike the 1975 procedure, there is no provision in the 1999 Act for the CAC to impose an award of terms and conditions of employment if the employer fails to negotiate realistically with a view to reaching agreement. Nor is there a clear mechanism for enforcement of the »legally enforceable contract« created by the CAC's recommendation for recognition. Furthermore, a union which fails in an attempt to secure recognition cannot refer another claim for the same bargaining unit within three years¹⁵.

Thirdly, increasing the minimum wage by a derisory 10p after an initial proposal for no increase at all demonstrates the government does not intend to remedy low pay. That would require an increase at least in line with the rate of growth of average earnings or higher if any progress was to be made towards reduction of the increase in income inequality over the last two decades. The original rate of £3.60 per hour [the »youth« rate payable to workers under 24 was £3.20] was a compromise between the government and employers on the one side and the TUC and Low Pay Commission on the other. The latter believed that once the minimum wage was introduced and accepted, steady increases would become possible as fears of an impact on unemployment proved unfounded. Yet the Commission's careful analysis and report justifying a larger increase was initially dismissed by Treasury, and the minimum rate was boosted to £4.10 only in the run-up to the general election. If the function of the minimum wage is not primarily to ameliorate the wider problem of low pay, except at the very lowest levels, what is its true purpose?

Historically, the trade union movement was mainly opposed to the concept of a general minimum wage for a number of reasons. Firstly, its arbitrarily cuts across established pay structures, distorting pay relativities. Secondly, it legitimates and

reinforces pay at the minimum level, making it more difficult for workers to obtain larger increases. Thirdly, it gives the government direct control over wage movements, which can be used in furtherance of other objectives of government policy. And fourthly, a minimum wage excludes unions from any direct role in pay determination, weakening their ability to recruit members. Not until 1986 were these historical hesitations put aside sufficiently for the TUC to support a minimum wage as some means of redressing the growing low pay problem which unions feared they were powerless to combat without assistance from the state.¹⁶

For New Labour, on the other hand, the minimum wage is an integral component of its welfare-to-work strategy encouraging the creation of more low-paid jobs in the private sector. These will absorb, with the aid of compulsion applied by the state, unskilled or low-skilled unemployed workers. The Blair/Schroeder document is brutally frank on this objective. »Part-time work and low-paid work are better than no work because they ease the transition from unemployment to jobs«; employers should therefore be encouraged to offer »entry« jobs by »lowering the burden of tax and social security contributions on low-paid jobs.« The New Deal programme thus provides for direct subsidies paid to employers who take on young workers or the long-term unemployed.

The Working Families Tax Credit also involves an element of indirect subsidy, albeit restricted to a particular class of workers with family responsibilities. This approach to the »topping up« of wages by the state will be taken much further, however, by Chancellor Gordon Brown's »longer term« plans to replace benefits paid by the state with tax credits paid by the employer to all low-paid workers, which were unveiled in the Budget last year. Agencies concerned with benefit claimants and families in need welcomed the Working Families Tax Credit for its more generous provision than the family benefit it replaced, awarding Brown plaudits for »redistribution«. However, they seemed to criticise the provision for payment of the credit by the employer as merely a functional deficiency, failing to expose its role in a programme for eventually restructuring and privatising administration of the benefit system. Similarly, proposals giving tax credits to low-paid workers have been made by leading figures within the Australian Labor Party, some of whom regard New Labour's 'third way' as a model to be emulated in Australia.¹⁷

Subsidising employers requires the existence of a minimum floor in wages or the payment of state benefits will cause them to fall without limit, as at the end of the 18th century under the »Speenhamland system«, prior to reform of the Poor Laws. The solution to poverty caused by low pay is not therefore the raising of rates to a fair level, but targeted supplements paid indirectly by the state, which will be cheaper than present levels of unemployment benefit. Integration of benefits into the employment structure in this way is a central objective of the third way. State policy would prefer a minimum wage which will encourage reduction of unemployment rather than deter employers from taking on staff by awarding small increases irrelevant to the government's main objectives. This will contribute not only to reducing unemployment and public expenditure, but will also generate a low-paid and insecure workforce, which can be churned to meet fluctuating demands. In the United States, an estimated 6 million illegal immigrants with no rights at work are often paid less than the legal minimum. The AFL-CIO

has therefore recently changed its policy and pressed for legalisation of their employment to gain some degree of control over the situation.

In Britain, there have been increasing levels of coercion within the New Deal programme and evidence that it has compelled some young people – the most socially »excluded« – to give up study to be »available for work.«¹⁸ Chancellor Brown has now proposed »hit squads« targeting areas of continued high unemployment, presumably to compel movement of workers to another area. Research has also revealed that these programmes are creating 'a big class of working poor in the depressed areas of northern England', whilst most workers completing a New Deal programme go to »only low paid, part-time temporary jobs [and] find themselves out of a job again within six months.«¹⁹ Although the New Deal has now been extended to those in the 50 plus age group, there has been little or no impact on the 28% of males in this group classified as »economically inactive«²⁰. The large numbers in this category put the UK's otherwise favourable unemployment figures into a different perspective, as does the fact that nearly 20% of households in Britain have no wage-earner at all, compared with 6% in Germany and 9% in France.

The minimum wage has been welcomed by the union movement because it has undoubtedly raised wages for some of the very lowest paid groups. Over the longer term, however, a continued fall in the minimum relative to average wages combined with government encouragement of low-paid jobs will put downward pressure on wage rates at the bottom of the scale, resulting in ever more workers paid at the minimum level. From a broader perspective, since the minimum rate is not an adequate or fair rate of pay even for an unskilled job, the effect will be to exacerbate not solve the problem of low pay. Certainly, the existence of a legal minimum in the US has done nothing to prevent growing wage dispersion and inequality. We submit that it constitutes a movement towards the introduction of the US system into Britain, bringing with it the danger of greater marginalisation of trade unions as an effective force in regulation of the labour market. The minimum wage issue has already become a major source of publicly manifested tension with the trade unions over New Labour's 'third way' policies.²¹

New Labour in Europe

British New Labour supports the »European project« only insofar as it can pursue its neoliberal agenda on the broader political stage. Prime minister Blair's February 2000 speech in Ghent was seen as a »reply to Margaret Thatcher's 1988 Bruges speech«, a »history lesson« which was »strangely out of date.«²² The main issue in Britain for business is whether and when Britain intends to join the euro-zone, a matter on which Mr Blair was »curt and cautious«. Consequently, Blair's commitment to Britain playing a leading role in Europe was dismissed as rhetoric, since »Britain has no intention of withdrawing from Europe under any conceivable government«. The real purpose of the speech, however, was oriented towards the wider European debate over social policy in advance of the March Lisbon summit. The message to a European audience emphasised not New Labour's differences with Thatcher, but their points of agreement. Although Blair endorsed her criticisms of European policy, he attacked her for withdrawing into isolation, one

of Britain's »greatest post-war miscalculations«. European institutions and policy therefore »did not reflect British interests or experience.« Henceforth, Britain with US support will seek to shape the EU along Anglo-American lines in accordance with their »special relationship«. This was precisely de Gaulle's fear, which led him consistently to veto British entry to the Common Market.

New Labour has been promoting this theme from before the 1997 election when explaining to business leaders why it proposed to end the British opting-out from the Social Chapter under the Maastricht Treaty negotiated by the Conservative government. By doing so, Britain had surrendered any ability to influence European policy even though British industry would have to comply with EU social legislation covering their European operations because they could not apply different standards to British workers. New Labour would join the Social Charter to block any new proposals inconsistent with »competitiveness«. Accordingly, a draft document discussed by Labour's national policy forum in December 1999, »Britain in the World«, only formalised this promise when it called upon the EU to abandon workplace regulation and the »old agenda« of workers' rights for a »new focus« on full employment. It demanded a »reformed social model for a new economy« whose aim should be ensuring the EU is a »competitive global player« instead of lagging »well behind the US in the creation of the knowledge-driven economy«²³.

Under Conservative governments, European legislation and directives enhancing workers' rights and trade union interests consolidated unions' commitment to EU membership and further development of its Social Action programmes. Government resistance led to many successful enforcement actions before the European Court of Justice by the Commission and »purposive« interpretations of UK regulations by the British courts, overriding the literal meaning to make them consistent with the relevant directive. Under New Labour, this pattern of minimalist or obstructive compliance with directives has continued. Implementation of the working time directive and the parental leave directive almost certainly falls short of the government's responsibilities, whilst the trade and industry secretary recently abandoned plans for a code of practice on part-time work. Generally, the regulations ostensibly implementing EU requirements have been confined to workers with a »contract of employment«, a notion narrowly defined by the courts to exclude many casual, temporary and home workers who stand in most need of protection.

Trade unions are therefore currently stronger supporters of British entry into the euro-zone, which they link with the European social market model as its necessary foundation, than the government which wants to see first implementation of third way reforms. Consequently, a number of unions in January last year launched »Trade Unionists for Europe« to fill the gap caused by the government's reluctance to begin converting public opinion on the currency question. Significantly, too, TUC general secretary John Monks has warned the Prime Minister against using the Lisbon social summit to press for greater »flexibility« in European labour markets. He characterised much of the talk on »flexibility« as a cover for »cheap and easy hire and fire rather than skilled adaptable employees working for well-managed companies skilled in the process of change.«²⁴ This view now has considerable resonance with the British public, following a number of high profile

company closures over the past year, including a Motorola plant in Scotland which was shut down in preference to a similar plant in Germany where stricter consultation and redundancy laws applied.

The fundamental ambiguity in the concept of the third way is whether it is a continuation of neoliberalism under different rhetoric or a cautious attempt to move away from it. This issue has been considerably clarified by the recent evolution of industrial relations and employment policy. On its own admission, New Labour is deliberately promoting low-paid and insecure employment and integrating the social security system with further reform and deregulation of the labour market. Similarly, government policy appears designed more to keep trade unions in their present position of weakness than to assist their process of recovery. For example, at the same time as the TUC was arguing that »information, consultation and democracy at work should be major themes in the 21st century workplace«²⁵, New Labour did everything possible to block the EU's draft information and consultation directive. Once the UK was isolated and faced the prospect of being heavily outvoted in the Council of Ministers, the government attempted to negotiate a »phased introduction« of the directive over seven years from the passing of legislation, as well as discretion over the type of sanctions required to enforce the directive²⁶. In other areas too, the newly re-elected government has used its dominant position in national politics to pursue a consistently neoliberal stance, favouring greater private sector involvement in the operation of public services and infrastructure, against the advice of financial experts as well as trade unions, and setting higher and more expensive hurdles for workers attempting to seek redress against employers in industrial tribunals²⁷.

Given the momentum of European social policy and the resistance to labour market deregulation, New Labour's strongest card is a strategy of liberalising product and capital markets, which was achieved in the domestic political context by the previous Conservative government and which New Labour now hopes will similarly subject European labour markets to increased competitive pressures, thus eroding the institutional resistance to reform. The UK government initiated this process of »structural reform« under its presidency at the 1998 Cardiff summit, and then gained support for consolidation of the process with target dates for the implementation of liberalisation measures at the Lisbon and Stockholm summits²⁸. These measures would entail the full deregulation of energy, telecommunications and transport, along with hefty doses of privatisation, outsourcing and competition policy in those member states where progress is deemed to be lagging, and they would be enforced through the Broad Economic Policy Guidelines (BEPG). Significantly, whereas the »Luxembourg process« on employment policy and the »Cologne process« on macroeconomic dialogue were characterised by a structured approach to social partner involvement, the Cardiff process is administered entirely by EcoFin – the committee of finance ministers – consequently proceeding without such involvement. Nevertheless, this process too has begun to meet resistance, particularly from France and Germany, which has publicly irked prime minister Blair²⁹.

Conclusion

New Labour's campaign to reconfigure European social policy in the image of US free market capitalism has its origins in the consistently neoliberal ideology of the third way. Since coming to office, New Labour has not reversed Thatcherism but has consolidated it, as we have shown, through labour market and welfare reform. At the European level too, instead of supporting workers' rights as the necessary counterpart of monetary union, New Labour has attempted to block or minimise the implementation of social policy directives, particularly rights for employees to be informed and consulted at work. Meanwhile, by contrast, France has introduced its own legislation to restrict working hours and to extend redundancy protection, and Germany is planning to strengthen the operation of works councils in enterprises. The only significant European initiative associated with the UK is one which pursues the objective of labour market flexibility through the deregulation of product and capital markets. The European trade union confederation (ETUC) has signalled awareness of both the dangers and the opportunities presented by this initiative, and it is building a broad alliance not only to defend the European social model but also to develop an alternative approach to improving competitiveness, employment and productivity. More immediately, however, the strength of neoliberal resolve on the one hand and the viability of an alternative approach on the other will be tested in the diversity of issues facing workers and communities across Europe and globally, and in their capacity to respond effectively and reshape the policy agenda.

Endnotes

- 1 An earlier version of this paper was presented at the International Progressive Policy Conference, University of Hamburg, 2-4 March 2000.
- 2 The authors have criticised the concept of »globalisation« as it is used in support of deregulation and »third way« policies in R Green & A Wilson, »Global facts and fictions: Trade, investment and industry policy«, in Chris Shiell (ed), *Globalisation: Australian Impacts* [University of NSW Press, Sydney, 2001].
- 3 Lawrence Katz & Alan Krueger, »The High-pressure US Labor Market of the 1990s«, *Brookings Papers on Economic Activity*, vol 1, 1999.
- 4 *Financial Times*, »A miracle revised«, 3.8.2001
- 5 Tony Blair & Gerhard Schroeder, *Europe: The Third Way/Die Neue Mitte* [1999]
- 6 cf Stuart Hall, »The Great Moving Nowhere Shows«, *Marxism Today*, November/December 1998
- 7 *The Third Way: The Renewal of Social Democracy* [Polity, Cambridge, 1998]; *The Third Way and its Critics* [Polity, Cambridge, 2000]
- 8 D Yergin & J Stanislaw, *The Commanding Heights* [Simon & Schuster, NY, 1997] p 364
- 9 Roy Hattersley, former deputy leader of the Labour Party, is an adherent not only of this tradition but also R H Tawney. He wrote recently: »I have tried to reconcile myself to the prime minister's enthusiasm for meritocracy with the hope that, not being really interested in ideas, he does not know what it is... Meritocracy removes the barriers to progress which block the path of the clever and industrious. But the notion of social mobility on which it is based is, to most of the children of the inner cities, a cruel joke. A Labour government should not be talking about escape routes from poverty and deprivation. By their nature they are only available to a highly-motivated minority. The Labour Party was created to change society in such a way that there is no poverty and deprivation to escape from. Meritocracy only offers shifting patterns of inequality« (*Observer*, 24.6.2001).

- 10 *The Third Way and its Critics* [Polity, Cambridge, 2000]
- 11 B Towers, *The Representation Gap: Change and Reform in the British and American Workplace* [Oxford University Press, Oxford, 1997]. The potential disadvantages to employees are even more obvious in a non-union workplace: T Dundon, I Grugulis & A Wilkinson, 'Looking out of the Black-Hole: Non-Union Relations in an SME', *Employee Relations*, 22, 1999
- 12 K Sisson, 'In Search of HRM?', *British Journal of Industrial Relations*, 31, 1993. M Marchington & I Grugulis, 'Best Practice HRM: Perfect Opportunity or Dangerous Illusion?', *International Journal of Human Resource Management*, 16, 2000
- 13 *Financial Times*: TUC welcomes sharp increase in union recognition agreements, 15.1.2001
- 14 *Financial Times*: Businesses advised how to keep out the unions, 29.5.2000
- 15 The clearest expression of anti-union intent in the legislation lies in the failure to remove a provision added by the Conservatives in 1993 allowing employers to discriminate against workers supporting collective bargaining by paying them less than workers agreeing to individual contracts. This was widely criticised at the time it was enacted, and a leading textbook on labour law describes it as 'an extraordinary provision [which] instructed employment tribunals to make a finding of fact based upon a lie: S Deakin & G Morris, *Labour Law* [Butterworths, London, 1998] p 733. Also K Ewing: Freedom of Association and the Employment Relations Act 1999, *Industrial Law Journal* vol. 28 1999, and Lord Wedderburn: Collective Bargaining or Legal Enactment, *Industrial Law Journal* vol 29 2000.
- 16 TUC-Labour Party Liaison Committee, *Law Pay: Policies and Priorities* [1986]
- 17 R Green & A Wilson, 'Unemployment, labour market deregulation and the third way', *International Journal of Manpower*, Sept 2000. The idea has been partially implemented already in Ireland, where the current wage restraint policy has resulted in a significant transfer of income from wages to profits, increasing inequality and leaving average wages around 10% below the level justified by productivity growth: R Green, 'Social partnership needs new pay strategy', *Irish Times*, 18.5.2001
- 18 Unemployment Unit, *Working Brief* 107, August/September 1999
- 19 'New Deal 'helping to create more poor in north'', *Financial Times*, 7.1.2000; A Glyn & E Erdem, 'From welfare to no work', *Financial Times*, 17.2.2000. Further confirmation of these findings is provided by the National Institute of Economic and Social Research: 'New Deal 'has created only 13,000 jobs'', *Financial Times*, 12.7.2000. There is also evidence of widespread non-compliance with the minimum wage in reports by the National Association of Citizens Advice Bureaux (*Financial Times*, 26.7.2000) and the Inland Revenue (*Financial Times*, 10.3.2001).
- 20 Dickens, Gregg & Wadsworth, 'Non-working classes', *Centrepiece*, LSE Centre for Economic Performance, Summer 2001.
- 21 'How TUC planned to shame Blair', *Financial Times*, 16.2.2000. This assessment is confirmed by figures released by the Office of National Statistics ('Inequality in income 'has grown under Labour', *Financial Times*, 13.4.2000) and indicators from the Department of Work and Pensions ('Labour fails to reduce poverty and inequality', *Financial Times*, 14.7.2001), which are also consistent with the trend immediately prior to Labour's period in office: ONS, *Social Inequalities 2000*, Stationery Office, London.
- 22 *Financial Times*, 25.2.2000 and 26.2.2000
- 23 This view has its supporters among European market economists. Otmar Issing, European Central Bank chief economist, has stated that unemployment 'does not call for supranational European solutions such as a social union to complement economic and monetary union': *Financial Times*, 15.9.2001. This brought a public rebuke from EU employment commissioner, Anna Diamantopoulou: *Financial Times*, 18.9.2001.
- 24 'Monks warns PM over public support for euro', *Financial Times*, 29.2.2000. John Edmonds, general secretary of the GMB general union, has warned that union backing for the euro in a UK referendum 'will be totally conditional on our members sharing in the social protection which is enjoyed by every other worker in Europe': *Financial Times*, 5.6.2001.
- 25 TUC, 'The Next Five Years: Promoting Fairness and Competitiveness' [Feb, 2000], reported in *Financial Times*, 17.2.2000
- 26 *Financial Times*, 'UK agrees deal on worker consultation', 12.6.2001; 'Drive planned to preserve compromise on worker rules', 2.8.2001
- 27 *Financial Times*, 'Workers set to pay for taking cases to tribunals', 20.7.2001. Bill Morris, general secretary of the Transport and General Workers Union, stated recently that the trade union move-

- ment has ›much unfinished business to do to secure workers' rights‹ during Labour's second term, even to reach recognised international labour standards: *Financial Times*, 3.7.2001.
- 28 The European Trade Union Institute (ETUI) has commissioned research on the Cardiff process, focussing on six member states. An account of the process in one state may be found in R. Green, ›Structural Reform in Ireland: Deregulation and the Knowledge-Based Economy‹, unpublished paper for ETUI, June 2001.
- 29 *Financial Times*, ›Blair calls on France to back EU reform‹, 3.8.2001. Blair stated: ›We have now re-orientated European economic policy around structural reform, and I believe that France will – as other countries will – accept it is sensible to change.‹ While France's main objection related to provisions on energy deregulation, Germany, still smarting from Vodafone's hostile takeover of Mannesman, had just rejected the new Anglo-American inspired EU takeover code. Both countries reject the implications of the Cardiff process for the labour market. Schroeder has stated: ›We don't want an American-style labour market because we believe a higher level of [job] security and certainty is right‹ (*Financial Times*, 13.7.2001).

**Standortsicherung
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