



EUROPEAN POLICY BRIEF



THE GOVERNANCE OF UNCERTAINTY AND SUSTAINABILITY: TENSIONS AND OPPORTUNITIES

Policy Brief 7.2: Confronting uncertainty in work and social policy in the crisis.

January 2013

INTRODUCTION

Objectives of the research:

The paper brings together the main general conclusions of the GUSTO project. This involved research on: individual labour market transitions, immigration, pensions, European social policy, collective bargaining, and local territorial governance.

Scientific approach / methodology:

The paper summarizes research that used a wide variety of methods. It does not itself contain new data.

New knowledge and/or European added value:

The overall general finding of GUSTO was that measures to intensify the role of markets within Europe need to be accompanied by measures to offset the negative externalities that marketization necessarily brings, where the balance of gains from markets is outweighed by these externalities.

Key messages for policy-makers, businesses, trade unions and civil society actors:

The present tendency to see marketization as requiring the destruction of all impediments to markets rather than a careful appraisal of the balance of gains and losses that follow from marketization could have disastrous consequences.

EVIDENCE AND ANALYSIS

Measures to intensify the role of markets within Europe need to be accompanied by measures to offset the negative externalities that marketization necessarily brings, where the balance of gains from markets is outweighed by these externalities. This can be seen in the following examples from the GUSTO research:

- Well-designed social policies that workers can trust can help them make successful and progressive labour-market transitions, which cannot be achieved by leaving them with either an absence of support mechanisms or policies that keep changing.
- The privatization of pensions is bringing greater and ever more elaborate state regulation, because of the difficulty of pure market transactions in a market like that for pensions that require trust and very long-term planning by individuals.
- Immigrants act as shock absorbers in the labour market, taking most of the risks and thereby protecting the native population from exposure to uncertainty. Paradoxically however, it is at times of general uncertainty that native populations become most hostile to immigrants. The resulting situation can be dangerous at a time of major economic difficulty - though there is evidence that strong welfare states offer some protection against social conflict.
- The more that the EU becomes a vehicle for marketization and either ignores the need for balancing social policy or limits the ability of nation states to pursue such policies, the more it jeopardizes attempts at coping with negative externalities.
- The more that collective bargaining is pressed to conform to a market model and thereby loses its capacity to co-ordinate, the less (paradoxically) it acts in support of the market economy.
- Very similar conclusions apply to attempts to fragment local territorial governance in pursuit of market analogies.

POLICY IMPLICATIONS AND RECOMMENDATIONS

One central message can be derived from the GUSTO research: populations can face major change and uncertainty confidently and creatively only if they can trust that public and other institutions are working to reduce the insecurity they face. Marketization alone cannot provide that, so the coincidence of a major wave of marketization in European policy alongside major waves of economic change and uncertainty is highly destabilizing.

The answer lies, not in abandoning some needed liberalization of markets, but by investing in social policies and other institutional arrangements that can help the process of facing change with trust and confidence. The following are examples – not an exhaustive list - of policy developments consistent with this message:

- Social policy has a vital role to play in enabling individuals to feel confident that, when they take labour market risks, they will be supported. Unemployment pay, help in finding work and the provision of education and training are major aspects of this – in both improving the quality of labour, and providing that basis for confidence. This implies that social policy and spending be reoriented to play these roles rather than some others; and that, when this is done, they are not seen as burdens but as vital components of policies for dealing with the crisis and managing change are accepted.
- It follows from this that policies for extending the single market to ‘social services of general interest’ need to be revised. These tend to treat such services like any other, affected only by relations between suppliers and customers. This obscures their public policy importance. This affects policy over a wide range, from training and education to child care.

- Similarly, policy for labour market flexibilization needs to recognize the role of representative institutions, mainly trade unions, in enabling workers to have trust and confidence at times of complex and disturbing change. Uncertainty is more difficult to bear, the lower one's income, and acquiring the knowledge that could help in making decisions is expensive. Public employment services can play a role here, but workers also need organizations that they can trust unambiguously to represent their interests. This is logically the role of trade unions, but they often have difficulties performing it. Measures are needed that would enable them to become general advisors to members of the labour force on issues affecting all work transitions.
- Research on collective bargaining has demonstrated that unions and employers behave most responsibly when they are organized across whole sectors, with links then appearing across sectors and even countries. This requires organizations with extensive reach and high membership levels. Both these benign characteristics of organized industrial relations are threatened by current developments of declining membership of employer associations and unions and the trend to single-employer bargaining, or to no bargaining at all. Public policy needs to counter such trends, not reinforce them.
- Employment creation policies need to return to the concept of 'good' jobs as an alternative to a strategy of 'racing to the bottom' in jobs and working conditions. This does not mean an attempted return to the standard full-time employment contract, but it does mean providing stability for non-standard forms. Without this, non-standard work becomes associated with low productivity and social exclusion; with it, it can provide new forms of balance between flexibility and security.
- While immigration is an essential part of the globalized economy, it is bringing severe tensions to European societies during the period of austerity. The evidence that more egalitarian societies with strong welfare states foster more tolerant attitudes toward immigration indicates the important part that certain social policies play in alleviating these tensions, and the serious dangers of dismantling social protection as part of austerity programmes.
- Pension reform policies need to be linked to those for labour market flexibility, with encouragement of a more gradual withdrawal from work for older workers, enabling them to stretch retirement income further. At present the frailest and oldest pensioners have the lowest incomes. If partial pensions were introduced for years when health and working capacity remain comparatively sound, more money would be available for later life, when it is more urgently needed.
- Retirement is also another field where trustworthy advice is needed but difficult to find. Any advice on managing pensions savings is embedded in the financial services industry, where motives are necessarily mixed and not unambiguously on the side of those retiring. There is a need for permanent public monitoring services to inform and to warn, to kite-mark reliable pension products, and to publicize the consequences of demographic, political and financial change.

PROJECT IDENTITY

PROJECT NAME Meeting the challenges of economic uncertainty and sustainability through employment, industrial relations, social and environmental policies in European countries (GUSTO)

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Teramo (IT), Tilburg (NL), Warwick (UK); Central European University (HU), CNRS (FR); European Trade Union Institute (BE), London School of Economics (UK)

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DURATION

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BUDGET

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WEBSITE

<http://www.gusto-project.eu/>

**FOR MORE
INFORMATION**

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FURTHER READING