



**Lei e' servito?
Bliver De Betjent?
Are you being served?**

**Comparing employment changes in the international
hospitality industry as a result of globalisation**

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Contents

Contents	ii
Abstract	iv
Declaration	vi
Acknowledgements	vii
List of Tables	viii
Chapter 1	1
Introduction to Principal Themes	1
<i>Labour Market Developments in the Tourism and Hospitality Industry</i>	3
<i>Empirical Research in Three Industrialised Market Economies</i>	6
<i>Four Main Themes</i>	8
<i>Chapter Outline</i>	22
<i>Empirical Research</i>	24
<i>Conclusion</i>	27
Chapter 2	30
The Relevant Disciplines and their Literature	30
<i>Introduction</i>	30
<i>The Impact of Economic Globalisation on Local Labour Markets</i>	33
<i>Global Economics and Nation States</i>	44
<i>Restructuring of Industry, Employment and Employment Relations</i>	46
<i>Conclusion</i>	61
Chapter 3	64
The United States Model of Neo-liberalism	64
<i>Introduction</i>	64
<i>Economic and Employment Developments</i>	67
<i>The Employment System in its Historical Context</i>	72
<i>Policy Responses to the Impact of Global Economic Pressures</i>	82
<i>Conclusion</i>	99
Chapter 4	102
A Case Study of Tourism and Hospitality in the United States Dual Labour Market	102
<i>Introduction</i>	102
<i>Labour Market Trends in the Tourism and Hospitality Industry</i>	106
<i>The United States Tourism and Hospitality Industry</i>	117
<i>The Role of Commercial Enterprises in Restructuring Employment Relations</i>	121
<i>Employer Responses to Changing Trends in the Tourism and Hospitality Industry</i>	124
<i>Trade Union Responses to the New Labour Environment</i>	127
<i>Strategies of the Hotel Employees and Restaurant Employees Union</i>	131
<i>Strategic Action by Local Government and Community Bodies</i>	136
<i>Conclusion</i>	139

Chapter 5	142
The European Model of Social Partnership	142
<i>Introduction</i>	142
<i>Economic and Employment Factors</i>	145
<i>Employment Systems in their Historic Context</i>	153
<i>Response to Global Pressures in Policy and Institutional Terms</i>	158
<i>Role of Employer and Labour Organisations in the Reform of Employment Systems</i>	169
<i>European Union</i>	173
<i>Conclusion</i>	182
Chapter 6	185
A Case Study of the Paradoxical Italian Labour Market	185
<i>Introduction</i>	185
<i>Economic Factors</i>	187
<i>Labour Market Trends</i>	189
<i>The Dual Structure of Italian Employment Relations</i>	200
<i>Microeconomic Policy Reform</i>	207
<i>Regional Economic Integration</i>	219
<i>Features of the Tourism and Hospitality Industry</i>	223
<i>Innovation, Regulation and Co-operation in the Dynamic Tourism Industry</i>	225
<i>Conclusion</i>	234
Chapter 7	237
A Case Study of Consensual Labour Relations in Denmark	237
<i>Introduction</i>	237
<i>Regaining Stability amidst Global Economic Inconsistency</i>	239
<i>Tourism and Hospitality Employment in one of Europe's most Successful Labour Markets</i>	240
<i>The Danish Consensus Model of Employment Relations</i>	250
<i>Policy Responses to Contemporary Labour Market Problems</i>	257
<i>Implications of Participation in the European Union</i>	269
<i>The Danish Tourism and Hospitality Industry</i>	271
<i>A Collaborative Approach to Labour Issues in the Tourism and Hospitality Industry</i>	273
<i>Strategies of the Restaurations-Branchens Forbund (RBF)</i>	279
<i>Conclusion</i>	284
Conclusion	287
Back to the Future	287
<i>Introduction</i>	287
<i>Unique Institutional Arrangements</i>	290
<i>Employment Changes in the Hotel and Restaurant Industry</i>	293
<i>Challenges for Contemporary Policymakers</i>	295
Appendix 1: List of persons interviewed	300
Bibliography	305

Abstract

Unemployment, labour market flexibility and decentralisation of employment relations are often used to describe aspects of the labour market developments that are occurring in modern industrialised societies in association with economic globalisation. While numerous studies have analysed the scope and effects of the exponential increase of economic and social exchanges on the nation states conducting them and on various industries and groups within nation states, few have examined the reasons why common globalising pressures are absorbed in such diverse ways by individual states. This is the major contribution of this thesis. By focussing on an industry not well researched for this purpose but one which is affected by the process more than most, it illustrates how different the global transition is and hypothesises a number of reasons why this is the case.

The relevant history, politics, economics and culture that underpins current procedures and policies provides a backdrop to explore in more detail how the United States and continental European environment has been transformed by globalisation processes during the past three decades. That background demonstrates more clearly the differences between the individual countries selected for deeper analysis. At the heart of this thesis are three case studies of modern industrialised societies that are adapting their policy and institutional settings in response to the demands of the global economy. The three countries selected for this study are Italy, Denmark and the United States. Empirical research is based in the hotel and restaurant sector, since it is particularly vulnerable to globalising effects and because of its employment generating capacity at a time when such capacity is in great need.

Findings from this thesis raise considerable challenges for modern policymakers who most commonly position labour market management at the top of the policy agenda. This research demonstrates that while parties appear divided on their policy approaches, there are much deeper influences at work than policies and political parties. Policies do change but their impact is less profound and pervasive than the deeper, ongoing social forces that are discussed in relation to the specific countries in this thesis.

Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

Jennifer Lauritsen

May, 2002

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List of Tables

Table 1 Percentage change in total labour force, female participation rates and civilian employment in OECD countries.....	71
Table 2 Employment shares and real earnings by occupation in the U.S. 1979-1992.....	75
Table 3 Occupational segmentation by ethnicity in the U.S. lodging industry 1996-97.....	108
Table 4 Union and non-union hourly wages of selected occupations in San Francisco.....	114
Table 5 Growth of real GDP in OECD countries.....	146
Table 6 Long-term unemployment rates in OECD countries.....	149
Table 7 Labour market characteristics in the European Union and the United States.....	164
Table 8 Sample countries ranked according to net social expenditure indicators, 1995.....	166
Table 9 The correlation between national labour market institutions and the impact of international competition.....	171
Table 10 Regions in the European Union with the highest and lowest rates of youth unemployment, 1999.....	191
Table 11 Job categories in the Italian accommodation sector, distributed by gender.....	192
Table 12 Rates of part-time employment and self-employment as a percentage of total employment in OECD countries.....	195
Table 13 Distribution of employment by job tenure in selected OECD countries.....	198
Table 14 Employment, unemployment and labour force participation rates in Italy, Denmark, the United States and the European Union.....	200
Table 15 Four segments of the Italian labour market.....	210
Table 16 Employment probabilities of school leavers aged 16-29 years one year after leaving education in selected OECD countries, 1996.....	213
Table 17 Active and passive labour market measures in Italy, Denmark and the United States, 1996.....	214
Table 18 Low qualification levels and relative labour market disadvantage of low qualified workers in Denmark, Italy and the United States, 1996.....	215
Table 19 Taxes on single persons earning 2/3 of earnings of average production worker, Italy, Denmark and the United States, 1997.....	218
Table 20 Trends in part-time employment in OECD countries.....	245
Table 21 Employment by sector, Denmark.....	247
Table 22 Selected indicators of resources used by education, in Denmark and as a percentage of the OECD average, 1996.....	262
Table 23 Macro level benefit and risks of Danish paid leave schemes.....	266
Table 24 Public expenditures and public incomes as a percentage of GDP in selected European countries and the United States.....	268
Table 25 Balance of payments – tourist expenditure, Denmark.....	272
Table 26 Age and gender characteristics of Danish hotel and restaurant employees.....	276
Table 27 Structure of education, indicating length of training in Nordic countries.....	278
Table 28 Employment growth in hotels and restaurants, Denmark.....	280
Table 29 Access to part-time employment for employees covered under DA/LO collective agreements.....	283
Table 30 Summary of labour market trends in Denmark, Italy and the United States.....	288

Chapter 1

Introduction to Principal Themes

Globalisation, in the last quarter of the twentieth century, became the most discussed international social phenomenon of its time. Academic and journalistic efforts to grasp its character and dimensions resulted in libraries of comment and ubiquitous university courses. Whatever the analysis made of it, most observers considered that economic and social exchanges between nations had accelerated exponentially as a result of technological and other global developments producing heightened pressures to harmonise public policy. Most agreed also that such harmonisation did occur, some to the point where they considered the very survival of the nation state and its sovereignty was at stake.

While much of the central debate about the character and significance of globalisation has been concerned with shifts in the control of economic resources from national to international and from government to corporate levels, there has also been serious consideration given to all aspects of the production process, not least those associated with labour. It is argued here that labour issues are, in fact, central to the effect on nation states of structural changes in the world economy.

As national economies have been increasingly integrated internationally, their currency systems, import and export patterns, production capabilities and foreign investment arrangements have been drastically transformed. These

changes, along with those to financial, goods and services markets, made possible by new communication and production technologies, have significantly altered the nature and distribution of employment. Trade liberalisation and the relocation of manufacturing enterprises to developing countries have changed traditional employment patterns in industrialised countries and created manufacturing work in industrialising countries.

In industrialised economies, some of the more significant labour market effects associated with economic globalisation arise from shifts in the nature of goods and services produced and the expansion of new information and communication technologies. Employment growth in the service sector is the primary form of job generation in both the United States and the European Union, with employment in the social services and the labour intensive distributive services in 1987 accounting for between 13-35 per cent and 18-25 per cent of total employment respectively in OECD countries¹ (OECD 2000, June: 83). Associated with increased employment levels in the service sector is the introduction of diverse forms of employment and employment contracts, which have been facilitated by new information and communication technologies. The employment consequences of these technologically driven developments register in terms of shifts in labour demand, skill based occupational segmentation, increased flexibility of employment contracts and decentralisation of employment relations. In conjunction with these consequences, intransigent levels of unemployment, new forms of non-standard employment arrangements² and the widening of income distribution have emerged as the most pressing labour market concerns of post-industrial societies.

¹ The other two major sub-groups of services categorised by the OECD (2000, June: 83) include producer services and personal services, which account for between 7-14 per cent and 6-13 per cent of total employment respectively.

² Non-standard or 'atypical' employment is defined as employment that includes diverse forms of employment arrangements outside the full-time, permanent model.

While serious debate about the general consequences of economic globalisation will no doubt continue for some time, there has now been sufficient time elapse to isolate some of its core aspects and examine them more rigorously. In this thesis, one central aspect of the globalisation phenomenon is scrutinised, viz. the seemingly variable outcomes that persist in the labour markets of different national economies despite what are widely agreed to be unifying global pressures.

Labour Market Developments in the Tourism and Hospitality Industry

An examination of international labour markets is considerably beyond the scope of this thesis, but it has proved possible to select countries with reasonably comparable backgrounds and examine their recent labour market history. In order to give greater focus to the thesis, an industry with particular exposure to the effects of globalisation, the tourism and hospitality industry, has been selected for special study. This industry is also of particular interest because of its employment generating capacity at a time when such capacity is in great need. Considerable labour market analysis has been devoted to industries such as the automobile, information and communication industries, to technology and manufacturing industries generally as well as the service sector³. Such studies have provided valuable insights into both the process of globalisation and its effects as well as government, management and trade union responses to them. Effects of globalisation, such as the transfer of employment from developed to developing countries, has often been of particular concern. Rather less attention has been paid in this context to the tourism and hospitality industry and associated labour market issues, despite their sensitivity to globalising influences

³ See recent studies on industrial and employment restructuring in the automobile industry (Huffschnid 1997; Kochan, Lansbury, and MacDuffie 1997b; Watanabe 1987), information and communication technology (Freeman 1997; OECD 1997e) manufacturing (Berman, Bound, and Griliches 1994; Bull, Szarka, and Pitt 1995; Revenga 1992; Sachs and Shatz 1994) service sector (Alic, Wial, and Herzenberg 1998; Beynon 1997; Brown 1997a; Worsham 1996) and private sector services (Dolvik 2001a).

and their capacity to increase, rather than decrease, employment prospects in the countries concerned. International comparisons of this industry present a number of challenges in analytical terms, due to the wide range of services and occupations and the comparatively high levels of unregistered and unregulated jobs. In this thesis, country specific empirical studies in the tourism and hospitality industry are undertaken to illuminate the varied outcomes for labour markets of globalisation.

In labour market terms, few industries have undergone such dramatic changes as the hospitality industry. Rapidly growing global tourism alone ensures that this industry will continue to be challenged in terms of employment as well as in other ways. It provides one important insight into the extent of global interaction and the pressures on governments, structures and societies to respond to it with policy and institutional change. Three case studies provide insight into the diverse strategies adopted by different nations and groups within society as well as the rather less diverse pressures that produce them.

The tourism and hospitality industry, recognised by the Organisation for Economic Co-operation and Development (OECD) (1996f: 9) for its “economic, social, cultural, environmental and educational significance”, is a rapidly expanding and changing source of employment that reflects the characteristics of contemporary labour markets under global pressures. Its vulnerability to shifts in patterns of investment, currency, trade, production and consumption that are global rather than national in origin has resulted in management seeking to maximise employment flexibility. To the extent that employment has grown in the industry, it will be noted that it has commonly been of a non-standard, often insecure variety.

Employment in the hospitality industry in both developing and developed countries provides an expanding supply of employment for workers at all points

along the skills' spectrum, especially at the least skilled end⁴. Occupational segmentation according to skill, gender, ethnicity, race and age is endemic in this industry. Its seasonal nature increases the incidence of functional flexibility as firms employ a small core workforce of skilled employees and a larger pool of unskilled, "numerically flexible" workers (Ioannides and Debbage 1998: 104), whose duration of employment coincides with periods of seasonal demand. Characterised by high levels of flexibility and non-standard employment and equally low rates of unionisation and collective bargaining, the hotel and restaurant sector raises considerable challenges for policymakers and social partners responsible for regulating conditions of employment.

It is arguable that very few industries epitomise and experience the impact of globalisation to the extent that the hospitality industry does. It is at the intersection of a nation's economic and social exchanges with another; it services such exchanges, it houses and feeds the exchangees and it establishes patterns of communication. It is the industry that builds bridges between nations, which critics of globalisation claim are expanding into thoroughfares. It provides the vehicles for transporting political ideologies, trade in goods and finance, labour exchanges, business strategies, employment practices and social conventions. It is, perhaps, exceeded by no other industry in terms of its suitability for the purpose of the exercise of this thesis, which is to examine the ways in which labour issues have been affected by economic globalisation and the disparate responses made by national polities in response to this external stimulus.

⁴ The most significant expansion of employment in the personal services in OECD countries has occurred in the hotel and catering sectors, in low-skilled jobs (OECD 2000, June: 83).

Empirical Research in Three Industrialised Market Economies

It is for such reasons therefore, that the hospitality industry has been chosen as the focus of the empirical case studies at the heart of this thesis. Three countries, Denmark, Italy and the United States, were carefully chosen not least because the tourism and hospitality industry is one of economic and employment significance to each of them⁵. They belong to the two most prominent economic regions and have more comparable and interrelated histories than, for example, Italy and Japan, or the United States and Australia. As will be demonstrated, however, their labour markets display very different responses to globalising pressures. A survey of recent policy changes provides an inadequate basis for understanding these different responses. They are clearly also a function of the historical, institutional and cultural influences that shape broad societal patterns of behaviour and interaction. It has been necessary, therefore, to undertake an overview of these patterns, especially in relation to labour issues, in the three selected countries.

Denmark

In the case of Denmark, the thesis examines policy shifts in the areas of employment, education and occupational training, social welfare and taxation in relation to the economic and ideological pressures being imposed on all modern states with a tradition of substantial welfare provision. The case study investigates how the strong social democratic tradition, which has informed Denmark's political history, interacts with societal expectations and cultural norms, not to mention institutionalised customs of social partnership, in addressing contemporary labour and social issues. Trends affecting unemployment, under-employment and insecure employment are examined in the general labour market, and specifically in relation to the hospitality industry. Strategies adopted by government, employers and trade unions to address these

⁵ In terms of aggregate GDP generated by tourism, the United States and Italy are in first and fifth position, and Denmark is in 19th position (World Travel & Tourism Council 1999).

problems are analysed in the light of the national policy framework and the directives from multi-lateral and regional levels, particularly from the European Union.

Italy

In the case of Italy, the study identifies the contemporary influences on labour market developments, which continue to be affected by the conservative Christian Democratic Party as well as by social democratic principles exercised by the powerful, but far less electorally successful, Communist Party. Italy's labour market problems, which, like so many other aspects of society, are subject to strong regional disparities, vary markedly from those of Denmark. Whereas Denmark has been successful in reducing the high levels of unemployment that plagued almost all OECD countries during the 1980s and early 1990s, Italy has the second highest rate of unemployment in the OECD. Long-term unemployment is higher than any other OECD country and youth unemployment is second only to Spain (OECD 2000g: 20, 21). While Italy and Denmark are representative of very different regional characteristics within continental Europe, they are nonetheless subject to many similar economic and policy pressures, not least of which are the convergence criteria of membership in the European union. The Italian case study identifies significant policy shifts that have been developed and implemented in response to these external pressures. Here again, the reforms are in accordance with its particular traditions.

The United States

The third case study, the United States, was selected for the contrast it provided as a result of its quite different historical tradition, particularly in relation to labour issues. The world's leading economy by a large margin, its political economy is dominated by market liberalism - an ideology shared by both major political parties. Tourism and hospitality is, as in the case of Italy, a very

significant domestic and export industry. This is represented by the fact that, in terms of aggregate GDP generated by tourism and hospitality services, it is the world's leader, and in terms of the number of jobs generated by this industry, it is in third position (World Travel & Tourism Council 1999). Labour market problems in these sectors, as in the general labour market, are addressed by strategies more determinedly neo-liberal than generally found in Europe. They are based on a labour market that has long been infused with competitive principles rather than legislative or tri-partite regulation. In this case study, two regions of the USA with high levels of tourist activity have been selected for closer analysis.

Four Main Themes

In the course of the thesis, surveys are undertaken of the historical and institutional development of labour market policy and practice in each of these countries. Such an examination makes it apparent, as suggested above, that the social forces that determine policy outcomes or labour market institutions or finally, unemployment levels and the incidence of non-standard employment, are deeply integrated and embedded within each regime – and arguably within the national psyche of each country.

1. The variable effects of labour market restructuring

By canvassing the ways in which labour markets in general, and certain labour markets in particular, have been restructured during the past three decades, the uneven effects of global pressures is illustrated. In such an examination, common trends are identified in each country, but their intensity and form varies from one labour market to another. It becomes evident that individual labour markets subject to the same economic and ideological pressures and social and demographic changes have not responded in corresponding ways. New technologies have been incorporated differently into the production processes of modern industrialising societies. Business and human resource practices

transported across all national borders by transnational companies operating in every part of the globe have been integrated in different ways and with varying consequences in individual societies. Recommendations generated by multi-lateral organisations with a shared perspective on the most appropriate strategies for achieving international competitiveness have been adopted in different degrees by each OECD country. Labour market outcomes of the cumulative impact of these powerful economic, technological and ideological pressures have distinctive national tendencies.

1.1 Unemployment

The diversity of outcomes produced by the interaction between local labour markets and global economic forces is most apparent in a consideration of unemployment levels, the incidence of various forms of non-standard employment and the employment and income consequences of shifts in labour demand. Unemployment rates, for example, have moved in the opposite direction in the United States and Europe. Whereas unemployment levels increased almost five-fold in the European Union in the past forty-five years, they have returned to the same level in the United States as they were in the mid 1950s. Unemployment in the United States rose to an average of 7.3 per cent during the mid 1980s, and has now returned to 4.5 per cent, which is slightly lower than the mid 1950s level of 4.8 per cent (OECD 2000g: 21). The current U.S. unemployment rate which, is the lowest level recorded there for the past two decades, is less than half the average rate of unemployment in the current member countries of the European Union (OECD 2000g: 21). Levels of unemployment in European Union countries are far from homogenous, however, varying from a low of 2.7 per cent in Luxembourg to a high of 18.6 per cent in Spain (OECD 2000g: 20, 21). It is notable that the larger European countries including France, Germany Italy, Poland and Spain have unemployment rates well above the OECD average of 6.7 per cent, while unemployment in a number of smaller countries including Austria, Denmark,

Iceland, Luxembourg, Switzerland, the Netherlands and Norway is well below this figure (OECD 2000g: 20, 21). An assessment of long-term and youth unemployment rates yields more extreme comparisons across OECD countries. Estimated as a percentage of total unemployment, long-term unemployment of 8 per cent in the United States compares with 59.6 per cent in Italy. Youth unemployment differentials are equally striking. For instance, as a percentage of the youth labour force, unemployment of youth under 25 is 5.6 per cent in Austria compared to 10.2 per cent in the United States and 34.05 per cent in Italy (OECD 2000g: 20, 21). A variety of reasons suggested for these very dissimilar outcomes will be explored in the body of the thesis.

1.2 Non-standard employment

Quite different patterns are also evident in the incidence of non-standard employment arrangements in developed countries. Increases in non-standard employment arrangements, which are linked to employment growth in the service sector and microeconomic reform aimed at increasing the flexibility of labour markets, have been occurring at a faster pace than total employment in many countries. For instance, while the percentage of part-time employment as a proportion of total employment rose substantially in almost all OECD countries it increased more than three-fold in Belgium, and approximately two-fold in Australia, Canada, France and New Zealand (OECD 1997a: 20) between 1973 and 1995. Conversely, in other countries, including Denmark and the United States, both part-time and self-employment fell slightly in the decade prior to 1998 (OECD 2000g: 18, 19).

While the incidence of non-standard employment varies quite considerably between OECD countries, the employment effects it produces are very similar. It is frequently associated with increasing levels of income insecurity, gender and wage inequality, particularly in low wage occupations in the service sector. In all OECD countries female employees, young workers and migrant workers are over-represented in these positions and, as a consequence

more exposed to the effects of irregular employment arrangements. In this instance as cited above, and in the case of income dispersion that is generally related to shifts in skill based occupational demand, distinct national differences emerge quite strongly. It is argued in this thesis that these variations arise from the nature of a particular society, which is determined by a complex interaction of unique institutional, legal and social traditions. Acting conjointly, these national influences produce labour market outcomes that parallel, but are not identical to those in similar market economies that are addressing the same global pressures.

1.3 Shifts in labour demand

There are for example, many similarities in the shifts in labour demand associated with the structural transformation of industrialised economies. In all OECD labour markets, employment has increased in both highly skilled and low-skilled occupations in the service sector. The composition of occupations, the characteristics of employees in this sector⁶ and the employment outcomes of specific groups of workers are comparable between various countries. For instance, the labour market position of low-skilled and inexperienced workers has deteriorated in almost all OECD countries during the past thirty years (O'Higgins 1997: 47) with the result that the unemployment rate of unskilled workers is two to three times higher than the rate for skilled workers (OECD 1997, December: 94). There are important exceptions to this trend. For example, unskilled male and female workers in Denmark, and those with the highest unemployment rate have not experienced a decline in income relative to skilled workers, as in other industrialised nations (Lind 1998a: 257). Similarly, in Germany, where wages of the highest paid workers have not increased

⁶ White-collar low-skilled jobs have absorbed the large influx of female job seekers who have entered OECD labour markets in the past thirty years, while young and migrant workers dominate in unskilled positions in the hospitality, retail and other service industries.

relative to other workers, the position of low-paid workers has improved compared to the mean⁷ (ILO 1998a: 50).

1.4 Widening distribution of income

The distribution of income, which widened during the 1970s and 1980s in the majority of OECD countries, reflects substantial differences between one country and the next. Using evidence from the Luxembourg Income Study an OECD (1995c: 113) study which examines recent trends of *Income Distribution in OECD Countries* states that “no overall pattern appears; countries seem diverse in the extent to which there has been movement towards inequality”. This report reveals that relative income inequality is lowest in the Scandinavian countries, particularly Norway, which records the least wage dispersion (OECD 1998f: 12) and highest in the United States, Switzerland and Ireland (OECD 1995c: 58). Denmark’s wage system, which is described (OECD 2000a: 12) as “relatively compressed” saw income dispersion narrow between 1986 and 1992 in marked contrast to other OECD countries, particularly the United Kingdom and the United States where increases in measured income inequality were largest (Madsen 1999: 17; OECD 1995c: 58). Likewise, earnings inequality in Italy declined during most of the 1980s after remaining stable during the 1970s (Lucifora 1998: 186).

2. Strategic directives by multi-lateral and regional bodies

Confronted with imbalances in the demand and supply of labour and increases in income inequality, academics, practitioners, politicians and economists have identified a variety of possible sources of the problem and recommended a range of solutions. Labour market regulations, which create inflexibility, are most

⁷ The role of labour institutions, especially Germany’s centralised wage bargaining system is suggested as one reason for this variation (ILO 1998a). Secondly both the level and quality of training in Germany has made possible the integration of new technologies and new forms of work organisation without the need to provide incentives to improve labour quality (Nickell 1998).

commonly linked to the persistence of high unemployment in the larger European states. Cited amongst these regulations are industrial policies, employment legislation, high labour costs created by social charges and taxes and the nature of the employment contract, which discourages employers from hiring workers whom they will have difficulties firing in times of business downturn⁸. The term 'Eurosclerosis' has been adopted (Blanchard 1997: 413; Blank 1997b) to represent this perspective. On the basis of this analysis, microeconomic reform of the labour market including the removal of labour market regulations in order to increase flexibility has been promoted at the local, regional and international levels. Recommendations aimed at improving the functioning of national labour markets have become synonymous with efforts to enhance international competitiveness within the new global economic structure.

2.1 Enhance labour market flexibility

In conjunction with attempts to create a more dynamic economy and more jobs, the OECD (1997c: 18) has suggested that employment benefits will only result from enhanced product market performance if labour markets are sufficiently flexible to ensure that displaced workers are reassigned to alternative positions. In this regard, the United States has variously been proposed as a model that other states might emulate, since its public policy framework maintains flexibility with minimal product and labour market regulations. In the original 1994 OECD (1997c: 18) *Jobs Strategy*, the United States solution to labour market problems was affirmed on the basis that gains of competitive product markets are enhanced by a flexible labour market that guarantees a rapid reallocation of labour. While other countries have since been exhorted to implement the structural reforms proposed in the *Jobs Strategy*, other OECD (1997c: 13) reports suggest that policy settings already in place were responsible for the fact

⁸ See (Blanchard 1997: 10; Fitoussi and Phelps 1988: 4; Kleinknecht 1998; Lagos 1994; Salvanes 1997; Solow 1996: 167; Tarling and Wilkinson 1997: 98) for an analysis of this argument.

that significant increases in unemployment levels that occurred in most other OECD countries during the 1980s were avoided in the United States.

Labour market flexibility has been promoted as a means of enhancing economic and employment growth since the mid 1980s. At that time, two associated studies were commissioned to examine the socio-economic and technical aspects of labour market flexibility⁹. It has been endorsed (OECD 1986b: 8) as the “key to both economic efficiency and social progress” because it enhances the operation of labour markets, which in turn increases the level of economic activity. Subsequent OECD studies have focussed on labour market flexibility in relation to structural reform (OECD 1996d), temporary and contract work (OECD 1998e), working time (OECD 1997, December; OECD 1998, June), wages (OECD 1997d), gender equality (OECD 1998a) and the information age (OECD 1997e).

2.2 Upgrade the skills of the labour force

The acquisition and upgrading of skills required by the contemporary labour market, has been closely linked with recommendations to increase the flexibility of labour markets in order to create jobs, reduce unemployment, improve living standards and strengthen social cohesion. The initial 1994 *Jobs Strategy* and subsequent reports on its implementation (OECD 1996e; OECD 1997b; OECD 1998g: 29) have emphasised improving the employment opportunities of unemployed workers through active labour market programs, including labour market training. Another report (OECD 1997e) links the training component of the *Jobs Study* with the findings of the 1996 OECD Ministers of Education Conference (OECD 1996c) on lifelong learning. This report, *Sustainable flexibility: a prospective study on work, family and society in the information age* (OECD 1997e: 6) stresses the importance of knowledge in enhancing the

⁹ Produced in 1986, these reports, the Dahrendorf report (OECD 1986b: 6), which stressed the socio-economic aspects of labour market flexibility, and the technical report on *Flexibility in the Labour Market* (OECD 1986a) preceded the influential 1994 *Jobs Study*.

development of individuals, families and communities in post-industrial society. The International Labour Organisation (ILO) has likewise focussed on the simultaneous process of the de-skilling and re-skilling of the labour force required by technologically related employment. Recent ILO (1995; 1996b; 1998a: 50) reports note that the intellectual capacity of workers is and will be increasingly more significant. Since new methods and means of production require workers with higher levels of skill, these studies propose methods for improving the employability of unskilled workers, who will otherwise be exposed to lower wages and a higher likelihood of becoming unemployed.

These two themes, increasing the skills of its workforce and the flexibility of its labour markets, are central to the European Union's Employment Strategy. In the Treaty on European Union, signed at Maastricht in 1992, the relationship between vocational training and labour market opportunities was prioritised (Goetschy 1999: 2). Subsequent European Council recommendations have focussed on increasing the flexibility of work and working time and constraining wage and non-wage labour costs (The European Commission 1998b: 5). In their annual National Action Plans, which are a requirement of the Maastricht agreement, member countries represented by social partners are obliged to incorporate the priorities identified under the four pillars of the employment guidelines. A large percentage of recommendations in the original guidelines, which are reviewed annually, when new priorities are established, emphasise the implementation of strategies that increase workplace flexibility, enhance life-long learning and improve the skills and employment opportunities of young people.

2.3 Strengthen social dialogue

Another recurring theme in the recommendations concerning the structural adjustment of OECD countries is the need for social consensus between governments, business and trade unions to work together to create "new products, processes and ways of working that will create new jobs, and help to

shape skills to fit with the jobs of the future” (OECD 1994b: 7). The ILO (1998a: vi) argues that in countries responding to the skills imbalance created by the impact of global restructuring and technological change, the most beneficial employment outcomes will be reached “when training decisions are taken in close consultation with government, employers and workers”. The World Bank (1995: 118), on the other hand, suggests that deeper international integration provides opportunities for well-resourced countries and groups of workers to address the rising inequality of incomes in the world economy.

A great deal of uniformity is apparent in the recommendations proposed by multi-lateral and regional organisations, as cited above. While individual countries may share similar goals of improving the operation of their labour markets, in order to enhance international competitiveness, and as a result attract investment and employment, they have adopted quite different measures to attain these goals. In so doing they have generated very different employment outcomes, which have a flow on effect in society generally. The United States has for instance, been effective in terms of achieving high GDP growth and low unemployment, but the social disparity evidenced by increasing income inequality and high levels of poverty, homelessness and crime would not be acceptable in European countries. Continental European states have adopted policies informed by the strong social consensus on which their post-war reconstruction was built. Policy development in these countries, which is influenced by strong social democratic principles that have no parallel in the United States may appear more socially humane, but has generally tended to produce higher unemployment levels than would be acceptable in the United States. This fact alone, suggests that a range of other factors are interacting to produce such disparate results.

3. Centrality of labour market reform in improving competitiveness

Some consistency is apparent in the policy approaches pursued by developed countries intent on enhancing their competitive stakes in global markets. While

all major economic policy areas have been modified by governments in their efforts to raise levels of productivity, increase investment and create jobs, labour markets have become a central focus for improving competitiveness. Structural and legislative reform of the industrial relations system has been accompanied by innovative labour market strategies. Policy changes aimed at moderating wages and increasing the flexibility, skills and employability of the labour force have been adopted within an ongoing process of modernising enterprise practices (The European Commission 1998a).

The regulatory role of the state in labour issues has been reviewed in most countries, particularly those with neo-liberal governments where labour market institutions have been deregulated, wage bargaining decentralised and public social expenditures curtailed. Changes to legislation governing employment practices, particularly unfair dismissal laws have been made with the intention of increasing the flexibility of production systems and reducing wage costs. Public sector business enterprises have been privatised, leading to downsizing, sub-contracting, and outsourcing of work previously handled by a permanent workforce. A common approach to reducing unemployment is evident in the way in which employment, social security and taxation systems have been reformed. Social security systems have, for example, undergone significant changes primarily aimed at decreasing the duration and level of unemployment payments. In addition, active labour market programs, which provide retraining for displaced or unemployed workers have been emphasised.

Social partners in European countries, which have a strong tradition of social dialogue, have co-operated in varying degrees with government initiatives to increase labour market flexibility. In collective agreements negotiated between employer and employee representatives, new models of joint regulation and mutually acceptable enterprise practices aimed at enhancing workplace flexibility have been introduced. These agreements have incorporated new wage structures and upgraded occupational skill levels. Under existing legislation new forms of employment contracts, mainly involving temporary, part-time or

variable working time arrangements have evolved in which specific industries including, tourism and agriculture, and certain groups of workers namely young persons, older persons, women and apprentices have been targeted. Where there is general support for these developments, the expressed concern of some social partners is that employment rights and conditions guaranteed under the “European social model” are under threat (Sarfati 2001: 1).

In all of the policy and institutional amendments surveyed above, many of which are in accordance with OECD recommendations, improving enterprise productivity, increasing labour market flexibility and reducing unemployment is an underlying priority. The manner in which these goals have been pursued varies considerably, however. Investment in active labour market programs is one illustration of this fact, since expenditure in this area has increased in many, but not all OECD countries between 1985 and 1996. Exceptions to this trend include Canada, Japan, Luxembourg, New Zealand, United Kingdom and the United States (OECD 1998g: 8).

4. The distinctly national aspects of labour market reform

Despite similarities evident in these broad patterns, cross-country research (Locke, Kochan, and Piore 1995: 143; Wever and Lowell 1995: 1) suggests that a great deal of variation is occurring in the way governments, firms and unions, exposed to a range of strategic decisions, are adapting to the demands of internationally competitive markets. Many of these differences reflect ideological influences that have deep historical origins. For example, in the countries of continental Europe collective bargaining, in conjunction with employment legislation, remains the major means of determining employment regulations while in the United States and the United Kingdom there is a greater reliance on market based reforms.

While in many other OECD countries national regulatory functions including negotiations of wages and employment conditions have been decentralised, variations of this trend are evident in some states. In Italy, a

resurgence of tri-partite negotiations of national incomes policies has occurred. Whilst in Britain, attempts to reintegrate legislative regulation have been accompanied by renewed efforts to promote macro and micro level social dialogue (Marginson 1998). State intervention in the French labour market has increased during the past two decades in the form of legislative changes and the use of collective agreements to increase labour market flexibility and to facilitate employment creation measures (Goetschy 1998: 376).

In continental Europe, where working time flexibility is high on the labour issues agenda, the redistribution or reduction of hours of work has become a popular focus of innovative programs aimed at reducing unemployment. In Belgium and France¹⁰, firms are given incentives to reduce working hours and simultaneously expand their labour force (OECD 1998, June: 154) while in Austria and Belgium employees are also offered inducements to accept voluntary reductions in working time (OECD 1998, June: 175). In Finland, Denmark and Belgium employees are opting for short career breaks as a way of creating temporary employment for unemployed workers (OECD 1998, June: 154). Currently Japan, also, is experimenting with ways of substantially reducing working hours (OECD 1998, June: 153).

These initiatives are indicative of sustained attempts by nation states, in co-operation with social partners to restructure their institutional, legal and policy framework in ways that enhance the performance of their labour markets as well as their macro and micro economies. The global economy has redefined both the nature and the rules of competition, and individual states have been forced to reassess and realign their competitive capacity in quite dramatic ways. It has become clear in the construction of this thesis, that historical and cultural influences have a determining impact on this process. In the case of continental

¹⁰ Speaking at the 30th World Economic Forum, France's Finance Minister, Christian Sautter, said "we have tried everything to reduce unemployment" and expressed his confidence in current initiatives to negotiate with firms to employ more people working less hours (Bagwell 2000).

Europe, for instance, which consists of a heterogeneous group of nations, there are certain shared characteristics between the Mediterranean countries in the south and the Nordic countries in the northern region. Some sharing of ideologies has no doubt permeated neighbouring borders to produce similar societal values and practices. Likewise, despite the very strong differences between individual states and within individual states, particularly in the case of Italy, there are certain identifiable continental European characteristics. These features are more noticeable in comparison with a very different region, viz. North America.

By comparison with continental European countries, the United States has used quite different labour market strategies, which have in turn produced diverse employment outcomes with distinct social consequences. Applying neo-liberal competitive policies, the United States has simultaneously reduced the labour costs of low-skilled workers and increased employment, to the extent of acquiring the reputation of the “Great American Job Machine” (Wheeler 2000: 106). Between 1970 and 1992, for example, employment in the United States grew by a remarkable rate of forty-nine per cent (Boissonnat 1996: 9). This figure is even more outstanding when compared with a nine per cent employment growth rate in the twelve states of the then European Community, during the same period. In chapter 4, a closer examination of the employment generating practices used in the United States will focus on current growth industries, the type of jobs created and the reasons why the United States has produced these outcomes.

In relation to the capacity of certain states to maintain their employment creating potential is the question concerning the nature of jobs created, which appears to be more of an issue for some countries than other countries. For instance, the proliferation of jobs created in the United States includes a large proportion at the low-skilled and unskilled end of the labour market, with remuneration at minimum wage rates. Alternatively, the employment guidelines of the European Employment Strategy and recent White Papers on modernising

employment focus on creating jobs that guarantee income security and employment satisfaction (The European Commission 1998a). It is one of the aims of this thesis to investigate the various factors responsible for influencing these different standpoints. Chapters 3 and 5 will examine the broad historical archetypes within which each region functions. Case studies on the United States, Italy and Denmark in chapters 4, 6 and 7 will examine employment strategies adopted in each country with the aim of identifying the social, cultural and institutional forces that have shaped them.

Closely associated with variations in the nature of employment being created in modern industrial societies is the widening distribution of income, which has become a growing concern at national and international levels. Wage disparity, which increased substantially between 1985 and the mid 1990s, in the United States, (OECD 1997, July: 97; Pryor 1996: 30; The World Bank 1995: 56) has been linked with wage flexibility (Buchanan and Watson 1999: 17) and the lowering of earnings of low-wage workers¹¹. Such increases in the earnings gap of the nature that continental European countries seek to avoid is one factor that has undoubtedly influenced governments in continental Europe in determining the degree of wage flexibility they are willing to pursue, despite the serious social, political and economic implications associated with persistent rates of high unemployment. According to the OECD (1997c: 16), a key factor in the slower implementation of the 1994 *Jobs Strategy* by certain states is the apprehension that some reform measures may conflict with existing policies designed to ensure equity and social cohesion. The ramifications of either falling wages or extended unemployment are considerable since in both cases, it is argued (Blank 1997b) social fragmentation occurs, leading eventually to the erosion of the sense of “common political community”.

¹¹ Between the mid 1970s and mid 1990s the real hourly wages of employees in production and non-supervisory positions declined by 13 per cent (U.S. Council of Economic Advisors 1996). For a discussion of wage dispersion in relation to the tourism and hospitality industry, see Chapter 4, page 111.

Restructuring of employment practices with the aim of enhancing productivity and adaptability has been associated with the impact of economic environmental forces. According to Kochan (1992), these forces can neither be ignored nor accepted as the single determining factor in shaping industrial relations processes and outcomes. One of the more startling facts, however, is the decisively different way in which individual countries are determining their particular response to the social and economic change of recent decades, which has been accompanied by strong ideological and political pressures of convergence.

In order to investigate the reasons for this diversity, current public policy shifts and employment practices are examined in their historical and institutional context. By analysing the changing role of the state, employers and trade unions, each under pressure from powerful political, economic and technological influences, the relevance of particular social forces and cultural norms are identified. The outcomes of various policy approaches are discussed in relation to labour market developments specifically related to the hospitality industry.

Chapter Outline

The thesis is divided into two main sections. The first part raises the academic questions associated with the impact of global economic forces on the labour markets of modern industrialised societies. It surveys the relevant literature on the interaction between economic globalisation and nation-states that are adapting to the pressures it generates. Studies dealing with changes in the organisation of work and of the employment contract, new patterns of employment relations and the role of modern states in dealing with contemporary labour issues are examined. In the course of this analysis, a wide range of literature from number of different disciplines has been analysed in order to ensure that the debates, which are relevant to the issues addressed in this thesis, have been acknowledged.

The second section uses empirical data to examine how different OECD countries have re-oriented their political economies to address the labour market problems that have emerged during the past three decades of global economic restructuring. Chapters 3 and 5 analyse the general approach to labour market problems that the two most significant economic regions, the United States and continental Europe have adopted. This analysis identifies the major historical and ideological influences that have been responsible for the respective policy directions followed in each region. Secondly, it identifies the differences between each region's general approach in dealing with imbalances in their labour markets.

Three case studies explore country specific responses to the impact of economic globalisation, with particular reference to the tourism and hospitality labour market. The institutional development of labour market policy and practice in the three countries of the United States, Italy and Denmark is examined in its historical context. Each case study explores the impact of prevailing economic, political and technological pressures as well as the nature of the pressures themselves. Changes in the structure of employment and in the relations surrounding it are considered, particularly in regard to employment in the hotel and restaurant sector. Policy shifts in all the relevant areas as well as the role of social partners in developing and implementing such policies are identified. Pertinent recommendations of multi-lateral and regional bodies are discussed before concluding with a brief summary that endeavours to account for the particular approaches adopted in each case.

A number of different empirical methods are used to research these issues, according to the recommendations of experts (Buchanan and Bretherton 1999; Hakim 1987: 174; Kelly 1999b: 7) in the field of industrial relations research. Buchanan (1999: 155), for example, argues that the limitations inherent in any one particular method of data collection and analysis are counterbalanced by combining a number of strategies in order to enhance the validity of the overall project. For these reasons, case studies and parallel

descriptions are the primary empirical research methods used as the basis for the qualitative research in this thesis.

Empirical Research

Case studies

As outlined above, three similar market economies, the United States, Denmark and Italy were selected as the basis for the case studies that constitute the core of this thesis. The case study is considered (Kitay and Callus 1998: 101) a particularly useful strategy in industrial relations research because it enables the researcher to use subjective information to analyse complex social phenomena. Using a strategy that incorporates multiple “complex” case studies (Kelly 1999a: 123), empirical data is used to analyse the unique ways in which different countries are integrating the impact of particular global phenomena into their national economies. This strategy was selected, because as Yin (1989: 20, 23) argues, it is the most appropriate way of undertaking an empirical enquiry that examines “how” and “why” questions about a modern-day situation, or set of events when the perimeters between an event and its context are not clearly defined.

Parallel descriptions

In order to examine the policy developments in three OECD countries, faced with the impact of similar globalising tendencies and the consequences of these policy shifts for employment relations, a method of parallel descriptions is used¹². Contrary to the conventional use of parallel descriptions, this research strategy is in line with an emerging trend in comparative industrial relations research of examining national policy developments in relation to specific industries and occupations (Strauss 1998: 178). The relevant statistical and

¹² This terminology, used by Strauss (1998: 178) refers to the traditional approach to comparative industrial relations analysis, which is inductive rather than deductive.

policy data for the last 20-30 years for each country is assembled in order to identify converging and diverging trends in employment relations, most particularly in the hospitality industry. An alternative research method of cross-national analysis, which has become increasingly popular in recent industrial relations studies, (Strauss 1998: 175) is neither possible nor feasible in this thesis because of the complexity of the task of collecting the data necessary for a comprehensive comparison¹³.

Objective and subjective data

Primary data sources include academic analysis, policy documents, statistical data and government reports. For the sake of consistency and to guarantee as much reliability as possible in the use of comparative data, documents generated by multi-lateral organisations have been consulted wherever possible. For instance, as the most recently published comparative statistical data, *OECD in Figures* (2000g) is generally used in all references to employment and unemployment statistics.

In addition to objective data, subjective material was obtained from interviews with analysts, researchers, government and union officials, employers and workers in the tourism and hotel and restaurant sector in each country. Qualitative data was gathered by conducting over eighty semi-structured interviews¹⁴ in Italy, Denmark, the United States and at the ILO headquarters in Geneva, using a “snowballing” network of academics and international and national trade unions¹⁵. A list of persons interviewed is included in Appendix 1.

¹³ Cross-national research teams (Strauss 1998: 191) are employed in larger studies, which have the resources necessary for the employment of researchers from the cultures represented in the respective case studies.

¹⁴ Semi-structured interviews are defined (Burns 1997: 330) as an unstructured exchange in which the interviewer directs the focus of discussion to incorporate essential elements of the issues being studied. It is an important process, which enables the interviewer to clarify critical points and probe more deeply into the most relevant questions (May 1997: 111) to gain deeper insight and understanding.

¹⁵ As explained by Kitay and Callus (1998: 109), snowballing is a technique, which includes locating key persons who are in a position to arrange personal introductions with those

Conversations and participation observation amongst employees in the hotel and restaurant sector were enhanced by several months' employment in this sector in the United States, according to Sutcliffe's (1999: 147) recommendation of becoming immersed in the environment where research is being conducted.

Qualitative research undertaken in the hospitality industry is restricted to unionised establishments in order to minimise the variables between the samples selected in each country. At the same time, the observations and analysis of other researchers with experience in the broader non-unionised sector have been incorporated, where relevant. Secondly, the network of national unions responsible for representing employees in hotels and restaurants provided the means necessary to arrange and conduct interviews. This would not have been technically possible or scientifically valid without some form of established "gatekeeper" (Kelly 1999a: 128; Kitay and Callus 1998: 109), with the capacity to arrange interviews on the researcher's behalf. While this sample is representative of a small percentage of hotel and restaurant workers, particularly in the United States, it is in proportion to the number of unionised employees in each country.

Difficulties in obtaining and analysing data

Differences in terminology, definitions, methods of data collection, statistical measures and subtle variations in meaning obscure the effectiveness of comparative data used in parallel descriptions of similar market economies¹⁶. While data obtained from multi-lateral and regional organisations is based on standardised definitions and calculation methods used internationally, a number of problems are inherent in parallel descriptions. A standardised ILO definition

persons who most suitably fit the selection criteria. This network, which was initiated very early in my research, was expanded by attendance at subsequent international conferences and through a short-term internship with the Employment and Skills Development Program, at the International Training Centre of the ILO, Turin.

¹⁶ In the case of Italy, it is acknowledged that some data, particularly in relation to training is "difficult to collect, inaccurate, incomplete". (Pellegrine, Claudio 2000 pers. comm., April 17th).

of part-time workers as those “whose normal hours of work are less than those of comparable full-time workers”, for example, will be interpreted according to employment laws in each country, where the usual weekly hours of work vary slightly (Bolle 1997: 561). Likewise, the introduction and impact of similar principles will differ according to the influence of the national environment, its particular economic conditions, institutional arrangements and practices and the degree of dialogue between social partners (Bean 1985: 228; Lagos 1994: 94). These anomalies are acknowledged at the outset and throughout the course of this analysis.

Conclusion

Increased employment opportunities at both ends of the labour market, rising levels of skills based occupational segmentation, new forms of non-standard employment and intransigent levels of unemployment are associated with the effects of economic globalisation, in its dual capacity as an external stimulus and as a catalyst of internal reaction. With the aim of improving the functioning of OECD labour markets, governments, employers and trade unions have pursued strategies to increase labour market flexibility and promote the acquisition and upgrading of life-long occupational skills. Multi-lateral and regional bodies continue to generate comprehensive recommendations that simultaneously aim to reduce unemployment by increasing the qualifications of workers and the flexibility of workplaces. In the European Union, member countries adhere to regional directives, reviewed annually, which are aimed at enhancing the competitiveness of product and labour markets and the employability of the labour force. In many cases, these recommendations clash with long established traditions, creating tensions between social partners in modern welfare states intent on finding ways of resolving labour market problems. Contemporary debates on strategies for improving international competitiveness that focus on reducing or abolishing external and internal obstacles that inhibit the operations of markets (Hirst and Thompson 1996; Rasmussen and Lind 2000: 195) receive

less support in countries with strong social democratic traditions than in those accustomed to market based policies.

This thesis identifies the powerful effects of the internationalising pressures of economic globalisation, which have absorbed the political energy of national economies for some decades. Three case studies illustrate unique examples of modern industrialised societies, which are adapting their institutions and policy settings in response to one of the most extraordinary phenomena of the late twentieth century. Each case study takes into account the interplay of competing interests and the historical settlements that have evolved through industrial conflict and other interactions of social actors in the labour market. The resolution of the contrariety between labour and capital that has been arrived at in institutional form over lengthy periods of time is understood in terms of such diverse factors as culture and its homogeneity and the influence of significant social norms, conventions and institutions, including the role of religion and gender, amongst others.

This research illustrates the variable impact of economic globalisation, by examining its dynamic interaction with one aspect of national economies that is highly exposed to its tendencies, viz. the labour market. It is an underlying contention of this thesis that however unified the process of globalisation is, however similar the increases in financial and material exchanges beyond national boundaries, the ways in which this phenomenon is integrated into national polities differ markedly. The objective of each case study, and indeed of the thesis itself, is not to arrive at didactic judgements, but to examine why national responses to common external stimuli differ so markedly between different states. What is being argued most fundamentally is that in an examination of one particular industry, selected because of the degree of its exposure to the effects of global economic restructuring, contemporary policy is the cumulative result of a multitude of pressures, not least of which are those that are entrenched in time-honoured institutions and practices. It is argued that policy developments in different industrialised countries are the collective

outcome of institutional procedures, history, culture and social norms rather than the specific actions of contemporary governments or the nature of pressures on them. It often appears to government and political parties vying for office that there is a complete range of political instruments for dealing with societal, political and economic problems. What this study is investigating is the impact of deeply embedded national influences, which often seem to act as a virtually determining force, with the result that policy instruments are much less effective than politicians might expect and the public may anticipate.

There is no attempt in this thesis to arrive at prescriptive conclusions. Its intention is to identify the major ways in which labour markets in OECD countries are affected by the internationalisation of trade, production, finance and technology. From the outset, it acknowledges that labour market trends, which have common origins and represent many parallels in different countries, also have distinct national tendencies. Equally striking is the variation in policy and institutional approaches that similar market economies are adopting in response to labour market issues. An examination of policy developments and strategic responses by stakeholders in three individual countries illustrates this diversity. It is argued, therefore, that a comprehensive appreciation of all the institutional, cultural and social characteristics of a particular country is necessary in order to situate contemporary policy decisions and, secondly, to examine their social consequences. Such is the task of this thesis.

Chapter 2

The Relevant Disciplines and their Literature

Introduction

Globalisation is a topic of major controversy, which will not be solved here as controversies by definition cannot be (Leisink 1999: 2).

As noted in the introduction, this thesis is concerned with the different ways in which economic globalisation impacts on nation states and the disparate responses that states make to this common phenomenon. A wide variety of literature is relevant to these concerns. Foremost amongst it, is literature dealing with international and comparative industrial relations, international political economy, comparative politics, economic theory, labour process theory, industrial sociology and economic geography.

While much of this literature doesn't deal directly with the issues central to the thesis, a good deal is relevant to one or other aspect. For example, analysts from the fields of economics, political economy and international and comparative industrial relations, propose a range of explanations for the labour market problems that have developed as the internationalisation of trade, capital, investment and production has intensified during the past three decades. Political economists analyse the impact of economic globalisation on individual

states' policymaking capabilities, and in some quarters, question the relevance of modern national economies. Economic analysis focuses on the capacity of states to adjust macro and micro economic policy settings to achieve high growth rates, while maintaining low inflation and low unemployment. In many cases, a comparison between the United States and continental Europe provides a basis for analysts to evaluate the relative effectiveness of such policies. Current debates in international and comparative industrial relations literature, are concerned with the convergence of industrial relations practices, particularly amongst member states of the European Union.

Theoretical and empirical studies on contemporary efforts to enhance the flexibility of labour markets acknowledge national, regional and multi-lateral attempts to increase the international competitiveness of individual countries. During the past decade, the focus of the debate on labour market flexibility has moved from labour process theory to economic flexibility. Some studies, particularly those arguing from a neo-Marxist and feminist perspective, examine the impact of flexible employment arrangements on the employment and income security of individual workers in relation to broader social consequences. Human resource literature examines shifts in production and employment patterns and the new styles of management that have evolved in association with this transition. In the field of economic geography, much debate focuses on the expansion of flexible employment arrangements that are linked with the use of new information and communication technologies in the tourism and hospitality industry.

An examination of the literature noted above demonstrates that there are a number of common conclusions that have been reached. Foremost among these relates to the effect of economic globalisation, usually conceived of as a supra-national force, on individual nation states. The conclusion that has attracted most attention concerns the relative loss of national sovereignty of individual states in their international economic exchanges. As noted above, much of this literature, while inventive and valuable, is of a general kind, based

less on substantial empirical study than extrapolation of theoretical positions from sporadic observations of changes in international economic practice. In this thesis, an attempt is made to narrow the focus of debate to the impact of globalisation on an industry that is peculiarly exposed to its effects and to consider it in three case studies. In doing so, it will be possible to demonstrate that there is a range of additional factors that influence social and economic outcomes at the national level.

In the literature on economic globalisation, different perspectives on the employment effect of increased levels of interaction of services, goods, finance, investment and labour between nation states, made possible in large part by new information and communication technologies are identified. Secondly, the vast range of literature on the role and capacity of nation states in either monitoring, ameliorating or controlling the effects of economic globalisation is acknowledged. Since the latter subject has already received a great deal of theoretical and empirical attention by theorists of comparative politics and international political economy, it is surveyed in a very cursory manner. In this way the broad perimeters of the debate are identified, while the main focus of the chapter is on the more specific employment related issues.

There is also a much more particular argument that this thesis pursues, viz. that deeply entrenched formal and informal institutional arrangements in any particular country provide the most reliable indication of the way in which globalisation will affect it. In this study, industrial relations traditions, policies and practices are the matrix in which the interaction between global pressures and local institutions is monitored. In particular, the thesis focuses on an industry where globally induced change has been prominent, yet under-studied, despite being strong in generating employment and consequently, political interest. For these reasons, it has been necessary to examine international and comparative industrial relations literature in considerable detail. This has enabled the writer to identify the explicit means adopted by individual states, represented by governments, employers and trade unions, in response to labour

market issues and the nominal reasons why there is such disparity between measures implemented by different states that are experiencing similar problems.

This chapter will be concerned primarily to survey the economic globalisation literature on the one hand and that dealing with international and comparative industrial relations on the other. It will begin by examining literature dealing with the relative ways in which local labour markets have been affected by the introduction of new technologies and the increased cross border flows of goods, capital and investment. In the remainder of the chapter, international and comparative industrial relations literature, and other relevant literature produced by labour process theorists, labour historians, labour lawyers, feminist thinkers, social scientists and sociologists will be reviewed. The first section will focus on analysis that is specifically concerned with the changing nature of work, new patterns of labour market flexibility and subsequent implications for employment relations and employment regulators.

The Impact of Economic Globalisation on Local Labour Markets

In the last half of the twentieth century, the nature and structure of employment in developed countries has been revolutionised by economic and industrial restructuring, technological advances and changing patterns of international trade. As evidenced by the large volume of literature concerned with the interaction between global forces and employment issues, national labour markets are considered to be amongst the most critical juncture points where these issues are addressed. Reform of economic, employment, unemployment, social security and taxation policy, as noted in the introduction, has occurred with the aim of improving labour market efficiency and in turn, international competitiveness. These policy reforms represent an individual nation's attempts to respond to the impact of global economic restructuring. According to the broad body of literature on economic globalisation, certain major developments in the international economy are perceived to be responsible for causing

imbalances in national labour markets. The main perspectives represented in this literature will be surveyed in the forthcoming section, which deals with these developments in relation to new technologies, economic and industrial restructuring, and finally the tension between global economic and political forces and national regimes.

Technological development

Literature dealing with the impact of new technology in creating and destroying jobs dates back to the 1930s, when Joseph Schumpeter used the term “creative destruction” to exemplify the losses incurred by displaced workers, by those whose skills became redundant and by those whose wages were devalued. Automation was considered a serious threat to jobs in the 1950s and 1960s, and in the 1970s and 1980s, information technology and electronics became the prominent reason for job losses in certain industries (Eatwell 1996: 5). While every industrialised country has incorporated new technologies into its production processes with varying effects on the quality and quantity of jobs, there is a range of perspectives on the employment effect of technological innovation. Contemporary arguments concerning the impact of technological change on employment fall into four main categories. They include the views that new technology creates more unemployment, that there is no net change in employment at the national level, that shifts in labour demand are caused by skill biased technological change and finally that, in the long term, everyone gains from technological progress.

At one end of the spectrum of increased technological unemployment, it is argued (Aronowitz and DeFazio 1994; Attali 1991; Churbuck and Young 1992; Leontief and Duchin 1986; Masuda 1980; Rifkin 1996; Winpisinger 1989) that rapid technological and organisational changes in the market economy are reducing the human component of production. Linking rising levels of unemployment following the oil shocks of the early 1970s with de-industrialisation, some authors (Paque 1998: 30; Teutemann 1998: 45) write of

irreversible changes to the structure of employment. The effects of these changes on the typical European country register in the form of dualised labour markets, consisting of a large percentage of long-term unemployed and higher equilibrium unemployment. Countries that avoided rising structural unemployment were those that generated rapid employment growth in the service sector from the early 1980's, notably the United States, the United Kingdom and the Netherlands (Paque 1998: 27).

Arguing the extreme case of *The End of Work*, Rifkin (1996) claims that fewer and fewer workers will be needed in the future for the production of goods and services. His analysis is based on the view that service sector employment that absorbed workers initially displaced from manufacturing jobs during the past forty years will also disappear, since information technologies are transforming employment in the service industry, raising productivity and displacing labour. As a result, the banking, insurance, telecommunications industries, as well as the wholesale and retail sectors are achieving greater productivity gains with fewer workers. New information and telecommunications technologies that have created the virtual office are reshaping the global economic system along similar lines. Those who share this viewpoint (Rifkin 1996: 162; United Nations Development Program 1993) argue that the Third Industrial Revolution has displaced tens of millions of agricultural, manufacturing and service sector jobs, and any jobs created in the process only partially provide employment for all those who are seeking it. Studies on the impact of technical change in the hospitality industry illustrate that certain occupations, including chefs and cooks have been de-skilled (Chivers 1973; Gabriel 1988) while other occupations, including dishwashers jobs, have been reduced (Bagguley 1987).

From an alternative perspective, it is argued (Bessant 1989; Kaplinsky 1986; Lee 1997b: 40) that while technical change is causing a significant displacement of labour at the plant level, there is little net employment change at the national level. A number of country specific studies in Germany (ILO

1996a; Schettkat and Wagner 1990), the United Kingdom (Daniel 1990; ILO 1996a) and Spain (Castano 1994; Saez 1991) have reached this conclusion concerning the overall employment effect. Comparative research by the ILO (1996a) found that in Japan, the United States and Canada, demand for work hours has increased, suggesting that these countries have made more effective use of the compensation effects of technology than certain European countries. In the case of Japan, studies (Brown, Reich, and Stern 1993; Watanabe 1987) have shown that employment has grown as a result of increased productivity and competitiveness, due to the use of technology in retraining workers.

There is strong opposition to the “jobless growth” theory (ILO 1996b: 17; Lee 1997b). Lee (1997b) for example, states that since new jobs are being created because of productivity increases and the growth of new products, new markets and new industries, “it is invalid to make catastrophic predictions of the end of work” on the basis that jobs in some industries have been lost. Other analysts of the direct and indirect employment effects of information and communication technologies (Freeman and Soete 1994), show that complete industries, which did not exist fifty years ago are employing millions of workers.

Changes in the structure of labour demand are considered from an economic perspective (Blanchard 1997; Eatwell 1999; Gual 1996: 5; Krugman 1994: 37) to be the major consequence of the introduction of skill-biased technological change. As a result of shifts in the demand for labour, wage dispersion across different sectors and occupations has increased¹. According to economic analysts (Blanchard 1997: 524; Bound and Johnson 1992; Elmeskov 1993: 23; Katz and Murphy 1992; Krueger 1993: 55) this is due to relative increases in wages for the more highly educated, experienced and

¹ Two significant studies, which have focused on declining earnings of less skilled workers, are *World Employment 1996-97* (ILO 1996b) and *OECD Employment Outlook* (1996, July).

technologically literate employees² and relative decreases in wages for less educated³, unskilled workers whose employment opportunities are declining.

Analyses of the wage-skill nexus in the United States labour market (Berman, Bound, and Griliches 1994; Davis 1998; Groshen and Drozdowski 1992; Juhn 1991; Katz, Loveman, and Blanchflower 1993; Katz and Murphy 1992; Lawrence and Slaughter 1993; Murphy and Welch 1991) have identified a shift in demand for more skilled employees and a corresponding decline in wages of unskilled workers. Similarly, research based in the United Kingdom and France by Dreze and Sneessens (1994) demonstrates that technical change has created significant advantages for skilled workers. Other studies which support this research (Adler 1992; Castano 1994; Guillaume 1983; Hirschhorn 1984; Kelly 1990; Martinotti G et al 1984; Shaiken 1985; Zuboff 1988), have illustrated that more skill, education, autonomy and self-determination is required from workers, both in direct work on the office or factory floor and in indirect positions.

The importance of skill, education and adaptability is an increasingly common reference in current literature (Freeman 1997; Pryor and Schaffer 1999: 225) dealing with the implementation of new technology, particularly information and communication technology. From an historical perspective, Greenwood (1999) claims that in times of rapid technological change, such as the current information and communications era, a high premium is placed on skill, because it is necessary to facilitate the implementation process. In recent reports by multi-lateral organisations (ILO 1998a: 50; OECD 1997e: 11) the employment effect of technologically related employment is noted in terms of an

² Krueger's (1993: 55) study on the impact of new technology on changes in the wage structure shows that workers in the United States who use computers earn 10-15 per cent more than those who do not, *ceteris paribus*.

³ According to McKenzie and Wurzburg's (1998) research, individuals with a secondary education earn 50 to 100 per cent less than those with university qualifications. The real wages of male workers in the United States with a high school diploma and less than five years labour force experience have fallen by 30 per cent between 1973 and 1993 (Blanchard 1997: 524).

increased demand for skilled labour and consequently, for new opportunities to skill and re-skill the labour force.

In certain industries, notably the hospitality and tourism industry, occupational wage dispersion that is related to skill-biased technological change is pronounced. Wage levels of low-skilled workers in labour intensive occupations remain low (Cals 1974: 12; Tuppen 1991: 200), while in other occupations new technologies are responsible for increasing both skill-levels and skill requirements (Go 1995; Milne and Pohlmann 1998: 188; Poon 1989; Poon 1993; Poon 1998). In some studies, (Milne and Pohlmann 1998: 189, 190) it is shown that there are increasing levels of permanent positions and a greater access to employee training, particularly in larger hotels. Go's (1995: 339) study on the educational requirements generated by the newly globalised and technologically upgraded tourism sector suggests that government and non-government agencies, educational institutions and corporations could collectively increase the economic and employment capacity of the industry by developing its human resource potential. These findings correspond with other studies (Milne and Gill 1998; Shaw and Williams 1998), which suggest that large companies, with multi-national operations have gained a competitive advantage over smaller establishments, because of their capacity and willingness to invest in capital and training. Training in the use of new technology is a key to gaining competitive advantage, according to Go (1995: 339) who argues that

the tourism corporations that are able to apply the new technology are effectively creating the expertise that enables them to force corporations that may be better tourism operators out of business.

A further consideration of the impact of technological progress (Greenwood 1999; Gual 1996: 5) is that the gains are distributed throughout society, either in the form of lower prices, increased wages and profits or rising living standards. In a controversial article by Greenwood (1999: 10) it is claimed that in the long run, the skill premium will decrease and current levels of income inequality will fade. This will occur as evolving technologies no longer

require such highly skilled operators, enabling younger workers to move into high paying, skilled positions.

Proponents of the view that there are both direct and indirect employment effects of technological progress, notably the ILO (1995: 58) and the OECD (1997e: 14) have identified the critical role of macroeconomic, trade, employment and industrial relations policies in ensuring that the productivity gains from new technologies result in net employment growth. They promote the need for social and economic policies to determine the institutional conditions that will generate employment that is responsive to demands of the changing global economy.

Structural changes in the world economy

Current debates on the employment effects of foreign direct investment and international trade in finance, capital, goods and services (Gual 1996: 15; Lee 1997a: 183), which have been the major vehicles of global integration since World War II, are surrounded by considerable controversy. Since one aim of this thesis is to examine these employment effects and, in turn, the strategies adopted by OECD countries to improve the functioning of their labour markets, it is pertinent to survey the following literature. In this section, analysis that examines the impact of trade liberalisation, and foreign investment on the structure of employment in industrialised societies is reviewed.

The impact of trade liberalisation on economic and employment growth has become the subject of meetings and reports of all the major multi-lateral organisations. A consensus regarding the overall merits of a more liberalised, global economy, has been reached by the International Labour Organisation (1996b: 175), the International Monetary Fund (1995), the OECD (1994b; 1997c), the United Nations Committee for Trade and Development (1996b), the World Bank (1995) and the World Trade Organisation (1998). In this environment nations have been encouraged to pursue an export-led growth strategy, which increases access to export markets, attracts direct foreign

investment and leads to employment creation, rising real incomes and broader economic advantages. The OECD (1994b; 1997c) has consistently argued that trade liberalisation will enhance product market performance, creating a more dynamic economy and more jobs. Successive agreements of the World Trade Organisation have focussed on removing barriers to world trade with the goal of enhancing economic and employment growth.

Academic analysis of the impact of trade liberalisation on employment growth reaches varied conclusions. There is strong support for the view (Krugman and Lawrence 1994; Rowthorn 1995; Sachs and Shatz 1994) that international trade is responsible in a very small way for the substantial decline in manufacturing jobs in developed countries. Exploring four hypotheses regarding the link between trade and the employment of unskilled workers in the United States, Pryor (1999) shows that foreign trade has very little effect on the employment of less skilled workers. Gual (1996: 19) goes further in saying that any notion that “trade liberalisation contributes to the destruction of employment is unfounded”⁴.

Other studies which have analysed the impact of international trade on skill demand and wage differentials (Bound and Johnson 1992; Elmeskov 1993; Katz and Murphy 1992; OECD 1993; Verreydt and J 1982) conclude that technological factors and changing patterns of consumption have more impact on rising unemployment levels than foreign competition. In his analysis of the employment opportunities of low-skilled workers in the United States labour market, Pryor (1999) argues that the occupational structure is responsible for the displacement of the least skilled workers from the labour market. He contests that downward occupational mobility is resulting in workers with slightly higher skills bearing down on the less skilled group of workers beneath them and taking their jobs. In an important study commissioned by the OECD

⁴ See Gual (1996) for a survey of studies on the employment impact of trade with low wage countries.

on *High and Persistent Unemployment: Assessment of the Problem and its Causes*, Elmeskov (1993: 18) states that

even if relative wages are inflexible, as appears to be the case in Europe, which has experienced many of the same structural shifts in trade as the United States, trade seems an unlikely candidate for explaining increased unemployment.

Literature on the benefits of increased foreign direct investment (Bhagwati 1994; Lee 1996: 488) suggests that investment outflows to low-wage countries represent new opportunities not currently available in the home country, which eventually benefits from such investments. Other studies (Eatwell 1999; OECD 1997e: 11) show that new markets increase the demand for goods and services leading to employment growth. Furthermore, according to Elmeskov (1993: 17) jobs lost because of import penetration are replaced by increases in production for export.

Analysis of the negative effects of trade liberalisation (ILO 1996a: 178) focuses on declining job opportunities and wages for unskilled workers in industrialised countries⁵. There is widespread opinion (Addison and Welfens 1998: 2; Murphy and Welch 1991; OECD 1997e: 15; Paque 1998: 35; Revenga 1992; Sachs and Shatz 1994; Wood 1995) that competition from undeveloped countries is the most significant cause of rising unemployment⁶ and the devaluation of unskilled labour in OECD countries⁷. From this perspective, it is considered that the effect of trade liberalisation agreements in removing barriers to competition with low-wage countries has resulted in the loss of

⁵ In his controversial analysis of the consequence of the dramatic increase in trade between the North and the South, Wood (1995: 4) argues that unskilled workers in the North have been disadvantaged in two ways. They are subject to increased income inequality and decreasing labour market opportunities and secondly, wage flexibility widens existing wage disparities in the United States, while in Europe where institutional forces limit wage flexibility, there is higher unemployment.

⁶ In their study of the impact of trade with developing countries on manufacturing employment in the U.S., Sachs and Shatz (1994) found that employment in low-skill jobs fell by 6 per cent between 1978 and 1990.

⁷ Revenga's (1992) U.S. study estimates that a 10 per cent reduction in import prices results in a decline in wages of 0.5-1 per cent.

manufacturing jobs due to an influx of cheap imports, and secondly, because enterprises have moved off-shore in search of lower production costs. It is also argued (Bhagwati and Hudec 1996) that competition with low wage countries has been responsible for downward pressure on wages and labour standards in industrialised countries as nations compete for foreign investment.

Considered as one of the most powerful agents in the global integration process (Ferner and Hyman 1998: xiii; Klein 2000; Michalet 1996: 15; Ostry 1996: 319; UNCTAD 1996a; Walters and Blake 1992) transnational corporations are at the centre of a controversial debate on the employment effects of companies with an international character operating in domestic markets. There is no argument that transnational corporations, with their ready access to innovative technology and global capital, have assumed a pivotal role in the global economic system⁸. This position is enhanced, it is argued (Harrison 1994; Shaw and Williams 1998; Tuppen 1991: 203) by the expansion of certain international industries, namely the tourism industry. As providers of the bulk of tourist accommodation, transnational corporations transport both their entrepreneurial characteristics and their trade into new markets, according to Harrison (1994). As an integral element of the functioning of transnational financial and production entities, financial exchange at the domestic, regional and global level has been fundamentally reorganised. Literature dealing with the perceived employment impact of these developments is discussed in the following section.

Restructuring of the international financial system

Deregulation of financial exchange markets in the 1980s, which was preceded by the removal of the Bretton Woods control of fixed exchange rates in 1971 is linked by some analysts of the left (Eatwell 1999; Godley 1996: 28; Lombard

⁸ For a comprehensive analysis of the role of transnational corporations in the new global economy see (UNCTAD 1996a) *Companies without borders: transnational corporations in the 1990s*.

1997: 6) with restrictive macroeconomic policies which were responsible for increased unemployment. These analysts (Godley 1996: 31; Lombard 1997: 7; Solow 1996: 171) suggest that a combination of tight monetary and tight fiscal policies aimed at stabilising currency rates, impacted negatively on economic growth and employment. According to this perspective, enormous increases in cross border financial flows led to foreign exchange markets developing in isolation from other sectors of the economy with the result that governments became pre-occupied with maintaining monetary stability and monitoring the effects of financial deregulation. As the uncertainties associated with floating exchange rates were transferred from the public sector to the private sector, banks increased the level of risk associated with greater volatility in financial markets. As a consequence, both the public and private sector became more risk averse, leading to lower investment rates and less employment. According to some authors (Kosters 1998), other factors that have had a negative effect on employment growth are the macroeconomic restraints imposed on member countries of the European Union.

European Economic and Monetary Union

The convergence criteria of the 1991 Maastricht Treaty limits the possibilities of employment generating expansionary policies by focusing on maintaining low inflation, and reducing budget deficits and public debt, it is argued (Ferner and Hyman 1998: xix; Lombard 1997: 14). From this perspective, some theorists (Lombard 1997: 6; Solow 1996: 176) consider that the Maastricht convergence criteria is one of the major obstacles to reducing unemployment in the European Union.

From an alternative viewpoint, Calmfors' (1998a) analysis of the political incentives for national labour market reform shows that the net effect of European monetary union on unemployment is ambiguous. While he (Calmfors 1998b: 2) notes that there has been little research to date on the impact of monetary union on labour market institutions, he points to the limitations arising

from the fact that there is no centralised employment policy to accompany the unified monetary policy. Since labour market reform in nations that share a common monetary policy has a negligible effect on inflation, he proposes that there is more labour market reform in countries outside the monetary union, than in countries inside it. Furthermore, in nations with independent monetary policy both the inflation bias and equilibrium unemployment are reduced by the same reform measures. Since the capacity of modern nation states to maintain political control over economic outcomes is central to the arguments of this thesis, literature that deals with this issue has been surveyed.

Global Economics and Nation States

Analysis of the relevant literature concerning the relationship between global economic forces and nation states has already been reviewed in great depth, for example, in studies such as Conley (1999), which have comprehensively documented the key aspects of the debate. For the purposes of this thesis, the main perimeters of literature surveyed are confined to two opposing lines of argument regarding the autonomy of individual nations in an integrated global economy. These perspectives are depicted by recent publications, which discuss the demise of the nation state, or alternatively, which refute this line of reasoning, as exemplified in the title chosen by Weiss (1998), *The Myth of the Powerless State*.

At this point, a broad outline of the debate is provided with the aim of identifying the main components of each side of the argument that are relevant to this thesis. Analysis concerning the declining significance of the nation state notes the transmission of economic control from national polities to international markets, and to major individual and collective players within the global market place. One prominent theorist with this perspective, Strange (1988) suggests that the vehicles of economic globalisation, while increasing the flow of goods, capital and technological exchange across borders, have simultaneously transferred the locus of power from states to international production and

financial centres. Taking a geographical angle on the devolution of state power, business strategist Ohmae (1995) argues in his numerous literary works, most notably *The End of the Nation State*, that nations have been replaced by regional economic units as business entities in the global economy. In the borderless global economic structure, geographical units that are more focused and more effective business units have he proposes, superseded artificial political boundaries.

From the opposing viewpoint are those analysts who acknowledge that while profound tensions exist in the ongoing relationship between nation states and international markets, states are far from irrelevant. Nations continue to control their domestic economies and determine policy directions, according to proponents of national governance and regulation, Hirst and Thompson (1999: 36). In his recently published second edition of *States versus Markets*, Schwartz (2000) places this debate in its historical context. He reminds readers that the current era of globalisation represents a re-emergence of the conflict that existed before global markets were temporarily restrained in the aftermath of the Great Depression and World War II. He (Schwartz 2000: xii) claims that global power tensions are endemic in the global economic system, since

markets are as old as the international system of states, and so are states' efforts to use those markets for their own purposes. Markets create winners and losers, and conflict between states is generally zero-sum, so non-uniform outcomes are always likely. Moreover, states and social groups often transform state institutions precisely in order to take advantage of market opportunities or resist market pressures.

In accordance with this argument, is a viewpoint in the international political economy literature, which demonstrates that the interdependence generated by economic globalisation impels nation states to reconstruct institutional and policy frameworks. For some authors (Cox 1987: 253; Walters and Blake 1992: 277), the fundamental role of the modern state is to ensure that it maintains its competitive position by making those adjustments to the structure of its economy that are necessitated by global production and financial pressures. Developing this theme in a later publication Weiss (1998)

contends that the role of the modern state is indeed one of adapting to, rather than retreating from, the impact of global market forces. She argues that the capacity to which states succeed in this process is determined by the strength and efficiency of national institutions, which are exposed to external and internal pressures to increase their efficiency and effectiveness.

Restructuring of Industry, Employment and Employment Relations

Literature dealing with the manner in which formal and informal institutions are shaping new patterns of employment while they are undergoing continual restructuring is central to the debate on changing models of employment and labour relations. Studies that analyse the way the organisation of work in contemporary society has altered note that new patterns of employment have emerged during the past three decades in conjunction with the proliferation of new technologies and of the employment generating service producing industries⁹. Scholars of labour history, labour law, labour process theory, industrial relations, feminist theory, social science and sociology acknowledge the intrinsic relationship between the restructuring of industry, changes in the structure of the labour market and shifts in the policies and practices that regulate employment. Here, literature that analyses radical changes in the organisation of work, the emergence of new forms of employment arrangements particularly in the service industry and the effect of these developments on contemporary employment relations is reviewed.

⁹ It is estimated (Giarini 1995: 94) that industrialised nations currently employ 70-80 per cent of the active population in services.

The changing nature of work

Analysts of the changing nature of work¹⁰ (Beynon 1997: 20; Brown 1997b: 13; Perspectives 1996) concur on the view that the contemporary form of organising work is different from anything previously experienced in the past two centuries of industrial society. According to an influential report (General Planning Commission 1995) commissioned by the French Government, all aspects of contemporary employment, including the content of work, the workplace, worker status and working time have been significantly restructured. The labour demands of new industries and occupations, have led some analysts (Beynon 1997: 20; Brown 1997a: 84; Morris 1997: 125) to suggest that the notion of the labour market providing a 'job for life' has been superseded by a more fluid way of organising work in modern society. While the concept of a 'proper job' (McLaughlin 1994) remains, labour market changes in the past twenty-five years, which are described (Britton 1997: 293) as 'revolutionary' have produced a diverse range of employment patterns which bear little resemblance to those existing half a century earlier. Recent decades of transition, it is claimed (Giarini 1995: 103) have led to immense changes not only in the quality of work, but definitions and norms concerning the way work and productive activities are perceived, and the way unemployment is measured.

In sociological literature, this transition is perceived (Aungles and Parker 1992: 206; Brown 1997b: 13), to have resulted from technological developments, particularly in the microelectronics and information technology sectors. Associated changes in the international division of labour and patterns of world trade due to the increase of low cost production facilities in newly industrialising countries are understood (Froebel 1981; Grunwald and Flamm 1985; Nash and Fernandez-Kelly 1983) to contribute to this evolution. In addition, the downsizing of manufacturing labour forces is cited (Beynon 1997:

¹⁰ There is a growing body of feminist and sociological literature on the distinction between paid and unpaid work. The use of the term work in this context, however, refers generally to paid employment.

22,23; MacDonald 1997: 104) as a major factor in transforming OECD labour markets.

Labour process theorists have conducted long ranging debates on the impact of new specialised forms of production and new regimes of accumulation on the organisation of work in modern capitalist economies. Some authors who note that flexible forms of production, aimed at producing a wider variety of goods and services in response to changing market and consumer demands (Beynon 1997: 28; Bradley 1997: 87; Brown 1997b: 11), propose that a post-Fordist phase of capitalist development has occurred. Other authors (Wood 1989: 26) suggest that while new technologies and flexible methods of organising work are adjusting to a new (neo-Fordist) regime of accumulation, it is possible that the transformation of work is taking place within the Fordist and Taylorist framework. Analysis of flexible production methods in the tourism and hospitality industry (Ioannides and Debbage 1998) shows that major shifts have occurred in labour practices during the past decade. This research suggests that there has been a significant change from the Fordist mode of production, whereby workers carried out routine, specialised tasks, to technologically transformed methods of production and labour organisation, which incorporate a higher level of functional flexibility. In the context of enhancing labour market efficiency, it is argued (Gilbert, Burrows, and Pollert 1992) that the focus of the debate on Fordism and flexibility has shifted from labour process theory during the 1980s¹¹ to economic flexibility in the 1990s.

In human resource management literature (Crosby 1980; Deming 1986; Juran 1979) a link is made between the emergence of service oriented economies and new managerial processes that shape the methods used to produce these services. Managerial practices, which have been adapted from the manufacturing to the service sector in order to improve employee performance and workplace productivity, are perceived (Blau 1999: 55) as a

¹¹ For a survey of labour process theory debates of the 1980s, see (Buroway 1979; Littler 1982; Thompson 1983; Wood 1989).

driving force in the transformation of work. One such process Total Quality Management (TQM), which has increased rapidly in the past two decades,¹² is claimed (Walsh 1995) to be amongst the most significant methods used for organisational restructuring of the service sector. Its introduction is understood (Taylor 1997) to be the result of an emerging consumer culture, directed by consumer needs, expectations and behaviour.

Other managerial driven influences on the changing shape of work are perceived (Broaden and Dale 1993; Howcroft 1991; Porter 1990) to arise from employer efforts to provide optimum quality of service in order to maximise competitive advantage and satisfy consumers demands. In pursuing these goals, it is shown (Taylor 1997) that management uses TQM in the service sector, to exercise new forms of employee control relevant to the delivery of services. Taylor (1997: 201) suggests that these methods include “attempts to control and commercialise the very feelings, identities and personalities of service personnel”. The authors of the book, *The New Work Order* (Gee, Hull, and Lankshear 1996) have reached a similar conclusion. Their ethnographic research reveals the inherent contradictions between the language of organisational democracy and employee empowerment, and the actual techniques that accompany it.

These issues are pertinent to employment in certain service sector industries, particularly hospitality and tourism, where it is argued (Shaw and Williams 1997: 150) that management uses the socially constructed division of labour along gender lines to organise their internal labour markets¹³. Shaw and Williams explain that many occupations are not necessarily “gender-specific” but have become an extension of the domestic tasks traditionally performed by women. As a consequence, the position of women in low paying, unskilled part-

¹² In the United States and the United Kingdom, seventy five per cent of companies had introduced total quality management by the mid 1990s (Wilkinson and Wilmott 1995).

¹³ See Doeringer and Piore (1971) for an examination of the notion of the internal labour market.

time employment in this sector is reinforced. The expansion of service sector employment in industrialised countries has been accompanied by the emergence of diverse patterns of employment, which have been responsible for transforming national systems of employment regulation. An overview of literature on this subject constitutes the remainder of this chapter.

New forms of employment arrangements in service sector employment

The emergence of new patterns of employment and new forms of occupations¹⁴ is closely linked in the relevant literature (Beynon 1997; Dolvik 2001a; Reich 1992) with expanding employment opportunities in the service sector and employment decline in manufacturing. Recent studies on the growth of international tourism¹⁵ (Harrison 1994: 232; Ioannides and Debbage 1998: 119; Milne and Pohlmann 1998: 196; Shaw and Williams 1997; Shaw and Williams 1998; Townsend 1997; Urry 1991: 78), mainly by economic geographers and industrial sociologists, identify a parallel with the expansion of flexible employment arrangements, largely due to the impact of technological innovation.

Since it is also claimed (Gladstone 1992: 2) that the concept of labour market flexibility has not been well defined, and secondly, (Bamber and Lansbury 1998: 19) that its meaning and application have wide variations, this term and its application will be clarified from the outset. Labour flexibility is generally defined (Bamber 1992a; Dercksen 1992: 97; Gladstone 1992; OECD 1986b) according to wage, numerical, working time, skill formation, procedural, regulatory flexibility and functional and geographical mobility¹⁶. The more

¹⁴ Reich (1992) has identified occupations in the global economy according to their function as routine production services, in-person services and symbolic-analytic services.

¹⁵ Between 1950 and 1990, the number of tourists travelling beyond national borders grew by 400 million and was expected to reach 638 million by the year 2000 (World Tourism Organisation 1991: 7,11).

¹⁶ An OECD (1986b:9) report on labour market flexibility characterised these areas according to labour costs, conditions of employment, work practices and work patterns, rules and regulations, mobility and education and training.

controversial aspects, according to Gladstone (1992) are wage and numerical flexibility. Perhaps the most common point of agreement amongst analysts is that new patterns of employment, and the terminology applied to such jobs are a prominent characteristic of contemporary labour markets in the industrialised world. These descriptive terms include “non-standard” (Perrons 1999: 111; Treu 1992: 34), “non-conventional” (Gladstone 1992: 5) “atypical” (Censis 1996: 63; Treu 1992: 39; Wheeler 1992), “insecure” (Lucio 1998: 431), “part-time” (Kassalow 1992: 140), “temporary” (Kassalow 1992: 140), “contingent” (Blau 1999: 60; Gornick and Jacobs 1996: 5), “flexible working” (Perrons 1999: 391), “peripheral” (Rojot 1992: 182; Shaw and Williams 1997: 144) and “precarious” jobs (Aviles 1992: 46; Goetschy 1998: 375; Jefferys 1995: 335). The emergence of such a variable range of descriptions of what is generally termed as non-standard employment, has led Beynon (1997: 30) to coin the phrase “the rise of the hyphenated worker” as a way of characterising the labour force of the 1990s.

Studies on the increase of flexible labour practices in the service sector (Bosch 1995: 39) indicate that management’s use of unregulated and regulated flexibility generally favours employer interests by reducing staff costs in the former case, while the latter has the potential to balance employee and firm interests. Other analysts in support of this view (Ioannides and Debbage 1998; Morris 1997: 125) suggest that companies seeking increasingly flexible employment practices have adapted the structure of their work force to include a small, core group of skilled functionally flexible employees, drawing on numerically flexible, generally unskilled workers, according to product demand. This practice is shown (Ioannides and Debbage 1998: 104) to be particularly common in the travel industry, which is characterised by seasonal fluctuations in demand. On the other side of this argument, it is claimed that flexible working patterns are being used by management to attract certain sections of the labour market, either (Edwards and Sisson 1989: 2) because of labour shortages or

(Rainnie and Kraithman 1992: 65) because new forms of flexibility are beneficial to these particular groups of workers.

Literature that focuses on employment growth in the service sector, notes (Allen 1997: 59; Beatson 1995; Bolle 1997: 568; Britton 1997: 299; ILO 1992: 1; Yeandle 1999) the increased employment opportunities for women that are largely of a part-time nature¹⁷. Evidence of this phenomenon has led to the introduction (Brown and Scase 1991; Jenson, Hagen, and Reddy 1988; Perrons 1999; Townsend 1997: 106) of the term 'feminisation' of the labour force. Certain service industries, most notably the hospitality and tourism sector, have registered an increased incidence of female employees (Chivers 1973) and young workers (Gabriel 1988). This sector is widely regarded (Britton 1991; Richter 1995: 149; Shaw and Williams 1997: 150; Timo 1996: 45; Urry 1991: 80; Wood 1992) as highly feminised and highly casualised, with disproportionately high levels of occupational segmentation and turnover rates¹⁸.

While there will be no attempt at this juncture to survey the wide range of literature on the employee effects of the above mentioned trends, it can be noted that analysts from a variety of disciplines agree that there is a rise in the level of employment related stress. Increased insecurity amongst workers and self-employed¹⁹ is considered (Allen 1989; Allen and Wolkowitz 1987; Blau 1999: 58; General Planning Commission 1995; Pollert 1988; Rainnie 1992; Rubery 1988) to be the cause of this situation. Some authors (Beynon 1997:

¹⁷ In the European Community, where women constitute only two-fifths of the workforce, they account for 80 per cent of total part-time employees (Allen 1997: 59). The highest incidence of female part-time employment is amongst young women workers and those over 60 (Conseil Economique et Social 1997).

¹⁸ A number of studies that focus on gender studies in the hospitality industry (Kirby 1997; Richter 1995; Spradley and Mann 1975), note the historical and contemporary occupational disadvantage of female workers in this industry. Richter (1995: 149) argues that the fact that women are employed in tourism in numbers disproportionately higher than males is because they hold part-time, seasonal or minimum wage positions.

¹⁹ Strike action in France in December 1995, which was the longest period of strike action in almost a decade, was attributed to the rising evidence of social insecurity, amidst high levels of unemployment and fears concerning the impact of globalisation on the future of work (Perspectives 1996: 93).

43; Brown 1997a: 74) attribute increased employment insecurity to high levels of unemployment. A number of other analysts (Briar 1992; Brosnan 1996; Dex 1992; Levitan and Conway 1992; Tilly 1990) claim that increasingly diverse employment arrangements in advanced capitalist societies have increased the economic instability of workers. Consequently, some authors (Boissonnat 1996; Brown 1997a: 85) suggest alternative ways of organising employment. For instance, Standing's (1999: 397, 398) proposal for a new labour market structure incorporates broad institutional changes necessary to "redress the social fragmentation associated with flexible labour markets and globalisation".

Recent studies on the incidence of low pay in European countries (Arai, Asplund, and Barth 1998; Keese, Puymoyen, and Swaim 1998), show that low paying occupations are concentrated amongst similar groups of workers, generally the low-skilled, female and inexperienced, in all countries²⁰. International comparisons (Gornick and Jacobs 1996; OECD 1994c; Quinn 1993) and country specific studies in the United States²¹ (Blau 1999: 60; Employee Benefits Research Institute 1993) and the United Kingdom (Ruberly 1992) show that part-time workers, particularly in English speaking countries, receive a lower income level per hour than their full-time counterparts²². It is argued (Blau 1999: 57; Elliott and Atkinson 1998: 238) that workers in all income groups are exposed to economic vulnerability, mainly due to wide-scale corporate downsizing. Luttwack (1994) claims that the central problem of the day is

²⁰ This issue is receiving increased attention following the increase in earnings inequality in many OECD countries during the 1980s. For a recent analysis of European developments, see (Asplund, Sloane, and Theodissiou 1998).

²¹ Part-time workers in the United States are particularly vulnerable to economic and social insecurity because they have no access to employment benefits including unemployment, sickness and disability insurance, maternity and retirement payments are distributed proportionately and they have no access to health care benefits (Blau 1999: 60).

²² In their cross-national analysis of wage differentials in four English speaking industrialised countries, Gornick and Jacobs (1996: 19) identify government policies concerning wage-setting practices and the incidence of unionisation amongst part-time workers, plus the

the complete and unprecedented personal economic insecurity of working people: from industrial workers and white collar clerks to medium high managers.

While some analysts (Esping-Anderson 1993) have found a gender bias in the availability of opportunities, particularly part-time job opportunities, for women, Bradley (1997: 102) demonstrates from her empirical research that effects of feminisation of the labour market impact on both male and female employees. She argues that changes in capitalist accumulation processes, resulting from increased international competitiveness, have shaped economic organisation in favour of female employment, and at the same time increased the level of competition and insecurity amongst all members of the labour force. Other studies (ILO 1992; Rosenfeld 1993; Tam 1997; Tilly 1990) illustrate the labour market disadvantages associated with female part-time employment, in terms of wage differentials and the lack of training and promotion opportunities.

An alternative perspective on the effect of employment restructuring on workers is presented in a recent ILO (1996a: 25) report. While acknowledging that there is an increase of insecurity and instability in some segments of the labour force, it contends that a significant proportion of workers remain in secure, stable employment. Research commissioned by the French Government (General Planning Commission 1995) on the degree of transformation currently affecting the nature and structure of employment rejected the notion that increased employee insecurity has resulted directly from these changes.

Revolutionary changes in the structure and nature of employment in industrialised countries, which have been driven by structural changes in the world economy, and new forms of production and consumption have had a profound effect on national systems of employment regulation. As management has sought increasingly flexible employment arrangements that are considered necessary to capitalise on innovative technologically engineered production

attitude of unions towards part-time employment as institutional variables that may account for cross-national differences between the countries surveyed.

methods that enhance labour market efficiency, governments have made relevant policy and institutional changes. In countries with institutionalised social dialogue, these shifts have been approved in collaboration with governments, trade unions, management and their respective associations.

Shifts in contemporary employment relations

The impact of changes in the socio-economic and political environment on employment relations has been the source of much analysis by international and comparative industrial relations experts. It is widely considered (Bamber and Lansbury 1998: 19; Kochan and Verma 1992: 187; Koshiro 1992: 111; Lane 1994: 167; Regalia and Regini 1998: 486; Treu 1992: 33) that pressures at the national and international level²³ are responsible for the transition that has occurred in modern employment relations. Industrial and employment restructuring, new technology, plus changes in the structure of the labour force have generated these pressures. A number of analysts (Bamber 1992b; Dercksen 1992: 95; Kassalow 1992: 133; Lind and Moller 1999b: 1; Treu 1992: 33) note that labour market flexibility is central to the debate concerning restructuring of the labour market.

In comparative industrial relations literature, labour market flexibility and new employment relations practices are closely linked with changes in collective bargaining processes that have been supported by governments, management and trade unions. Wheeler (1992: 17) has developed a model for cross-national comparison of new employment relations that have emerged in conjunction with attempts to improve labour market flexibility Wheeler (1992: 17)²⁴. From his analysis, he concludes that greater labour market flexibility was adopted because

²³ The terms of employment relations continue to be shaped by changing economic conditions, according to Bamber and Lansbury (1998: 20).

²⁴ In Wheeler's (1992: 20) model, the respective interests of employers/managers and employees are named as efficiency in the former case and security in the latter. The public requires a sufficient supply and quality of goods and services at reasonably low prices, as well as moderate levels of efficiency and security in an environment that is not detrimental to social harmony.

critical elements of the employment relationship were not functioning well. The existence of high unemployment fuelled the notion that labour market inflexibility was unhelpful in meeting employees' need for improved job security and employers' problems adjusting to the demands of a global competitive environment and new technology. Secondly, increased labour market flexibility served the public interest because it addressed concerns regarding general employment and economic security due to the non-competitiveness of European firms.

Much assessment has been done of the way the traditional system of collective bargaining has been altered in association with these trends. In an examination of contemporary employment relations in the United States, Rojot (1992: 178) suggests that government disposition and the marginal role of unions were responsible for developments that occurred in that country. The main areas in which changes have evolved suggest Kochan and Verma (1992: 187) are in relation to improving productivity, moderating wages and increasing the flexibility, skills and motivation of the labour force within an ongoing process of managerial led innovation at the enterprise level. Using the strategic choice model²⁵ to compare the impact of structural change and technological innovation on employment relations in the United States and Canada, Kochan and Verma (1992) conclude that common internationalising pressures that are being experienced by all industrialised economies are resulting in similar trends in each country. In their view these environmental pressures, which can neither be ignored nor accepted as the single determining factor in shaping industrial relations processes and outcomes, are responsible for the restructuring of employment practices to enhance the productivity and adaptability of the modern labour force.

²⁵ This model is based on the proposition that changes in industrial relations practice occur as a result of the way strategic choices of management, labour and government policies interact with and respond to changes in technology, markets and social values (Kochan and Verma 1992: 188).

The role of governments in supporting increased levels of labour market flexibility has been heavily documented. While wide variations between different national structures are evident (Bamber 1992a: 78; Lane 1994: 167), research on flexible working patterns in continental Europe (Aviles 1992: 53; Lucio 1998: 445; Treu 1992) shows that the collective bargaining process in conjunction with some legislative reform has remained the prominent vehicle for labour market reform. Analysis of industrial relations developments in France (Goetschy 1998: 375; Lane 1994: 177), identify collective bargaining as the main method of employment regulation. This research shows that while significant industrial relations changes have occurred in France in the midst of economic instability and high unemployment, state intervention in the labour market remains a central characteristic of employment regulations. State led reforms during the past two decades writes Goetschy (1998: 375) have used legislative changes and collective bargaining to increase labour market flexibility, to ameliorate the social effects of deregulation and to facilitate employment creation measures.

In the United States and the United Kingdom, where there is a greater reliance on the market, employer initiated deregulation and decentralisation of collective bargaining processes has prevailed. Analysing recent developments in Britain under Prime Minister Blair, Marginson (1998) argues that while elements of the continental European model of industrial relations are being adopted, partly in response to European Union directives, a very different approach to workplace flexibility is evident. New Labour's continued reliance on market-based reforms is creating a certain ambiguity regarding its intention to promote macro and micro level social partnership.

The role of social partners in developing more flexible employment arrangements is acknowledged by Treu (1992: 42) in his analysis of innovative patterns of working time. He suggests that these initiatives, which are a major element in both productive competitiveness and the quality of working life, depend on the legislative system and the co-operation of social partners to

devise flexible patterns of work that are acceptable by all parties²⁶. Four main ways in which the social partners have achieved more flexible employment contracts, under existing legislation are outlined by Aviles (1992: 53,54). They include pre-legislative bargaining, offering workers the option of converting their employment contract from full-time to part-time, establishing new forms of contracts providing work and training for young people, allowing non-mandatory rules to be removed from collectively bargained contracts.

A key challenge for social partners faced with rising unemployment in a changing economic environment and increasingly fragmented national labour markets, has according to Lucio (1998: 423), been to find new forms of joint regulation²⁷. It is claimed (Regalia and Regini 1998: 468) that the most radical transformation in power relations has occurred in Italy where unemployment has remained high during the 1980s and 1990s. While similar changes have been evident in other industrialised countries (Regini 1992), in France, Britain, Germany and Scandinavia traditional industrial relations strategies remain in place, by comparison with Italy. In Spain, (Lucio 1998: 426) the trend has been to decentralise national regulatory functions, giving unions, employers and regional state bodies more influence over key elements of the employment relationship in the process of collective bargaining. Evaluation of the impact of this practice has noted (EIRR 1995: 26; Ministerio de Economica y Hacienda

²⁶ Recent experiments aimed at reducing working time in municipal social and healthcare services in Finland (European Employment Observatory 1999: 26) have used local agreements to determine the connection between working time reductions and wage cuts. These state subsidised experiments showed positive outcomes in terms of the effects on the wages of employees and on their improved capacity to balance responsibilities in their everyday lives. In addition, 580 unemployed workers were recruited to positions created through reduction in working hours of current employees.

²⁷ A very interesting case concerning the role of unions in adapting to increased flexibility occurred in Italy during the 1980s. Co-opting the term 'secluded micro-concertation' Regalia and Regini (1998: 487; 1995) note that trade unions cooperated with firms to facilitate the adoption of work rules that were mutually acceptable in enhancing workplace flexibility. Case studies on this phenomenon (Colasanto 1987; Regini and Sabel 1989) illustrate the flexible implementation of existing rules and the informality both of the bargaining process and of the creation of new rules. It is observed (Lucio 1998: 454) for instance, that Spanish trade unions have focused on moderating employer pursuance of numerical flexibility, in exchange for functional flexibility.

1995) that the negotiating agenda is limited to wages and working time. Negotiation of a wider range of issues including temporary contracting and numerical flexibility occurs in very few instances²⁸ (Consejo Económico y Social 1996: 269).

Another example of the impact of the role of social partners is shown in relation to pay flexibility. Marsden (1992: 59) claims that institutional pressures applied by trade unions and government incomes policies were responsible to a far greater extent than the forces of supply and demand for the substantial degree of change that occurred in wage and salary structures in Western Europe during the 1960s and 1970s.

High and rising unemployment has been closely linked (Dercksen 1992: 95; Perrons 1999: 391; Rojot 1992: 173) with the current trend of increasing the flexibility of labour markets in industrialised countries²⁹. As noted in the introduction, multi-lateral organisations have established and maintained a tight parallel between increasing labour market flexibility in order to sustain and raise employment levels³⁰. A number of industrial relations experts (Aviles 1992: 46; Gladstone 1992; Goetschy 1998; Jimeno and Toharia 1993; Kassalow 1992: 152; Lucio 1998: 431; Rojot 1992: 178; Wheeler 1992: 29), agree that the restructuring of labour markets has been driven by employers seeking more control over decisions concerning hiring and firing and wages³¹. Studies on the

²⁸ Reviewing the content of collective bargaining agreements in France, Goetschy (1998: 390) reaches a similar conclusion, since creative arrangements on working time, training and employment issues are rarely included.

²⁹ The greatest efforts to find alternative solutions to the problem of unemployment, occurred it is claimed (Aviles 1992) in the southern European countries that had experienced the worst effects of dysfunctional labour markets following the global economic crisis of the early 1970s. Under existing legislation new forms of contracts, mainly involving temporary, part-time or variable working time arrangements have evolved within the collective bargaining process in many European countries. Describing these contracts, Aviles (1992) shows their application to specific industries, e.g. tourism and agriculture and to certain groups of workers, i.e. young persons, older persons, women and apprentices.

³⁰ See Introduction, page 13.

³¹ Industrial relations reforms proposed in 1999 in Australia were intended to change workplace bargaining from the industry to the enterprise level, which is viewed (Stewart 1999)

relationship between economic performance and industrial relations systems (Calmfors and Driffill 1988a; Freeman 1988; Layard, Nickell, and Jackman 1991) illustrate that countries with either highly centralised or very decentralised employment relations achieved lower unemployment during the late 1980s and early 1990s, as a result of wage restraint in the former case, and market restraint in the latter.

Other studies on the relationship between labour market flexibility and economic efficiency (Koshiro 1992: 112; OECD 1986b), note that positive outcomes are only possible in conjunction with other measures designed with the same objective³². In his discussion of the impressive economic and employment achievements of the United States, Kassalow (1992: 148) acknowledges that such achievements are more attributable to budget deficits than to the flexibility of markets, including the labour market.

Analysing the impact of cross-national integration on European industrial relations, Ferner and Hyman (1998: xi) examine the possibility of a common system of industrial relations emerging in that region as a result either of pressures of convergence or of national regulatory systems breaking down. In their analysis of the general impact of the forces of internationalisation, and of the influence of multinational corporations on national industrial relations systems in particular, they concur with the view of Hirst and Thompson (1996). National regulatory systems are withstanding the impact of globalisation, by continuing to determine their unique shape and function, however as Ferner and

as shifting the balance of power from employees to employers. Similarly, some analysts (Bamber 1992a: 79; Lane 1994: 181) of the Thatcher Government's approach to industrial relations in Britain in the late 1970s identify a shift from a traditionally neutral role to one that actively supported the demands of capital.

³² Reviewing Japan's efforts to bring about full employment without increasing inflation, Koshiro (1992) notes that while increased labour market flexibility has been an indispensable component in achieving this objective, it was not the single most important factor.

Hyman (1998: xv) note some state institutions are more vulnerable than others³³.

Conclusion

The most striking fact about the literature surveyed in this chapter is the wide diversity of explanations that analysts from different theoretical perspectives have reached in their examination of global economic developments of the past three decades. It is clear from this exercise, that analysis of the same phenomena has generated a range of different explanations concerning its causes and effects. This observation is by no means original, and may be best summed up by Walters and Blake (1992: 5,6) in their dissertation on *The Politics of Global Economic Relations*, where they note that different theoretical assumptions

produce such contrary understandings of the purposes, payoffs, and process characterizing international political-economic relations that one wonders if we are examining the same world.

Since this chapter is concerned with identifying the major debates related to structural changes in the world economy and its impact on the labour markets of modern industrialised societies, it draws from the widest possible range of studies, which document these debates. In doing so, it attempts to isolate the most significant arguments that are used by scholars from various theoretical viewpoints to explain why and how the nature of employment in industrialised societies has been transformed during the past three decades. It seeks to identify what prominent analysts in the fields of international political economy, international and comparative industrial relations, economic theory, industrial sociology and labour law deem to be the more considerable global

³³ During the past ten years the state, trade unions and employers have all adapted to the changing economic environment in different ways in different countries, according to Ferner and Hyman (1998: xxiii) who show that while workplace flexibility is still an important priority, there are new pressures affecting its implementation in respective European countries. Quoting Locke and Thelen (1995) they explain that there are critical issues created by the new global economy, that are threatening the "accommodations and interests that lie at the heart of the national model".

pressures that are impacting on the regulation of contemporary labour markets. It summarises the major discussions concerning the capacity of modern industrialised nation states to manage their domestic policies and institutions in the face of powerful external economic and political influences.

In the course of this analysis of the relevant literature a particular component of modern societies that can shed light on how globalisation is taking place in practice, has been identified. Since the labour market is most vulnerable to the effects of economic globalisation, it has been selected for deeper analysis. Cross national research focuses on a particular industry that is possibly one of the most highly exposed of all industries to the internationalisation of trade, production and finance and the use of new technology and yet it is one that has received less research attention than other more conventional industries. In order to carry out this research, it has been necessary to traverse a number of different disciplinary fields, with highly developed arguments and quite different analytical traditions. While the review of literature in this chapter is by necessity a cursory one, it provides a critical backdrop against which the findings from empirical research discussed in the following chapters can be presented

Findings from this investigation will constitute the remainder of the thesis. In examining how three different industrialised societies are adjusting institutional and policy settings in response to political and economic influences, which are at once internal and external, this thesis demonstrates the complex interrelationship of a range of formal and informal arrangements. Country specific analysis of the labour market consequences of increased levels of international economic exchange, as surveyed in this chapter, reveals that they vary significantly between different countries. Similarly, a careful survey of national policy developments that have occurred within each unique cultural, social and institutional framework shows that quite different strategies have been adopted by countries subject to similar problems and to common recommendations from regional and multi-lateral organisations. The key

question to be explored in the remainder of the thesis is the reason for these different outcomes.

Chapter 3

The United States Model of Neo-liberalism

Introduction

In the introduction to this thesis, it was argued that the restructuring of the international economy has created a range of pressures that are absorbed in different ways by the labour markets of individual nations. As stated in the introduction, this thesis will examine both the political and economic substrata, which have been affected by these changes and the nature of the transforming changes themselves. Here, that process of examination is begun by considering the United States political, economic and industrial structures, practices and relevant policies, while the next chapter will explore the outcomes of contemporary economic and industrial developments in a case study format. The sector selected for closer examination, viz. the hospitality and tourism industry, illustrates how these changes have been absorbed by one specific segment of the labour market of the world's most powerful economy.

It was also suggested at the beginning of this thesis that public policy and institutional frameworks differed most markedly between the United States and continental European countries. It is common, for example, in industrial relations literature to describe the institutional arrangements governing the

United States labour market as a form of 'exceptionalism' in relation to most other western regimes. In this chapter, the nature of the United States political economy, its evolution and more particularly, its labour market institutions both formal and informal are examined in order to identify their major characteristics and the extent to which they have been modified by recent developments.

It is necessary to examine the institutional framework in this way, in order to situate policy shifts implemented during the past three decades of international economic restructuring. An examination of policy reform in the areas of labour market programs, vocational training and education and welfare reform enables the writer to identify the particularities of the United States response to the impact of modern globalising tendencies. Secondly, this analysis is undertaken with the aim of identifying operative political, cultural and social influences that are responsible for shaping policy and institutional reform.

This analysis is of particular relevance because it is being conducted at a time when the United States has enjoyed remarkable macroeconomic and microeconomic success for a sustained period. Unlike, many other OECD countries, the United States has simultaneously maintained high levels of GDP growth, low inflation, higher than average labour force participation growth rates and low levels of unemployment for more than a decade. Indicators of economic stability have fluctuated somewhat in conjunction with slower world growth during the first part of 2001 however, leading to a number of microeconomic adjustments, notably successive cuts in interest rates. The unemployment rate of 4.5 per cent in mid 2001 was virtually equivalent to the mid 1950s level, in contrast to the steady upward incline in the average trend in the European Union during the same period. Long-term unemployment and youth unemployment are comparatively low in the United States however, young workers, unskilled and low-income workers experience higher levels of involuntary job loss and both a greater incidence and lengthier duration of unemployment than in certain other countries.

Since this thesis was substantially written before the events beginning on September 11th 2001 in New York and Washington, D.C., it does not incorporate the economic and employment consequences generated by these incidents. Immediate effects can be noted in terms of three consecutive cuts in interest rates within eight weeks, a considerable drop in consumer confidence and related spending patterns and an increase of 0.5 per cent in the unemployment rate (The Age 2001). It is important to note that few industries have been more substantially affected than tourism and hospitality, particularly international travel and to a lesser extent, travel within the U.S.¹. There are several consequences for the thesis – some of which, no doubt, have not yet been fully played out or even taken on determinate form. In summary, they highlight the intensity of the link between economic instability, investment patterns, consumer confidence and job loss in the tourism sector. Likewise, they draw attention to the link between transportation services and trade, between internal security and commercial activity and between domestic crises and international consequences. Clearly, it is beyond the scope of this thesis to engage in an examination of these issues at this point. Suffice to say, they plainly reinforce the claims made in the introduction regarding the relevance of selecting this particular industry as the basis for analysing how labour markets in individual nations are experiencing the effects of global economic developments².

The uniqueness of the United States labour market, which is the subject of high levels of both praise and criticism from analysts, politicians and

¹ During the month of October, 2001 more than 400,000 jobs were lost and the unemployment rate rose to 5.4 per cent, which is the biggest monthly percentage increase in over a decade and a half. Industries in which job losses were greatest include the airlines, travel agencies, hotels and retailers (Economist.com 2001a).

² The interaction between the international economy and local labour markets is highlighted by the World Tourism Organisation (1999: 8) and a number of analysts including Go (1995: 339), Townsend (1997), Milne (1998), Shaw (1998), Williams (1998: 93). Journalistic commentaries (Economist.com 2001a; Economist.com 2001c; Hopkins 2002; Lethlean 2001) on the immediate impact of the events of September 11th, 2001 on national security, investment patterns and global and national travel are abounding.

practitioners, is the primary reason why it has been selected for deeper examination in this thesis. Critics from a range of ideological perspectives either promote its employment creation achievements or decry the rising levels of income disparity that are associated with the comparatively high proportion of low-wage jobs. Its historically low level of unemployment is invariably used as the benchmark for other OECD countries, despite the fact that there are lower rates of unemployment in Austria, Luxembourg, Iceland, Mexico, Norway, Switzerland, Japan³ and the Netherlands (OECD 2000g: 20, 21). This chapter begins by discussing broad economic and employment trends of the past three decades.

Economic and Employment Developments

The long-term prosperity of the United States economy is evidence of the fact that at one level it has weathered the unpredictable tides created by the forces of economic globalisation with less instability than a number of other industrialised economies. Due to the size of its population, its economic and institutional strength and its huge domestic market⁴, it is undoubtedly in a less vulnerable position than smaller OECD countries faced with similar global pressures. By some accounts (OECD 1997, December: 61), the United States economy is “operating above its potential”, enjoying the longest period of economic expansion in the history of the country. After twenty years of an average GDP growth rate of 2.4 per cent, it was the only member of the G-7 countries to achieve a rate of growth of 2 per cent in real terms in the 1990s (Herd 1999).

Prior to the economic shocks that occurred during 2001, macroeconomic indicators published by the OECD (1998d) have portrayed positive features on many fronts. They include long-term output growth rates,

³ As stated in the introduction, the most recent OECD (2000g), comparative data, which is based on 1998 figures, is used throughout the thesis. It does not therefore reflect the most current unemployment trends, which in the case of Japan, are upward.

⁴ Using GNP as a measure of economic power, the United States is in first position.

high employment growth, increases in labour productivity⁵ and until recently, no apparent signs of inflationary pressures. Slower economic growth during the course of 2001, has however, precipitated consecutive cuts in interest rates from 6.73 per cent in June 2000 to 2 per cent in November 2001, which was the lowest rate in forty years (Economist.com 2001b; OECD 2001b). Over a longer term, sharply declining import prices⁶ have resulted in an increase in imports, which along with exports, are the fastest growing components of GDP. Both are expected to increase at three times the rate of GDP, by 2006 (Boustead 1997: 6). Similarly, private investment, which has increased in conjunction with average household wealth, is expected to grow at a rate one and a half times more rapidly than the rate for GDP, by 2006 (Boustead 1997: 6). After reducing the budget deficit during most of the 1990s, the government aims to reach a budget surplus by 2002, in order to improve its debt ratio and reduce long-term real interest rates (OECD 1997, October: 6).

During the past three decades, the United States has shown a long-term job creation trend as well as a tendency towards increased buoyancy between growth and employment. In their examination of the employment intensity of economic growth in the period from 1960 to the mid 1990s, Padalino and Vivarelli (1997) demonstrate that GDP growth decreased at a lesser rate and employment increased at a greater rate in the United States than in Japan, Italy, France, Germany and the United Kingdom. These authors contrast developments in the other G-7 countries with the United States and Canada, where industrial working time per person increased during the transition from a

⁵ Labour productivity, which had increased at a rate of 2 per cent each year from 1945 onwards slowed to a rate of 0.8 per cent after 1974, a trend that is linked to investment in information technology (Greenwood 1999: 3).

⁶ Falling import prices have supported the United States' economic performance by controlling inflation resulting in an increase in demand, according to Herd (1999). Rubenstein (1996, May 6: 16) provides evidence to suggest that free trade has a positive effect on economic growth. He (Rubenstein 1996, May 6: 16) refutes the Republican view that protectionist policies are necessary to protect jobs lost through foreign trade, arguing that while 1 per cent of the jobs of U.S. workers are displaced by imports, it is technology rather than foreign trade that causes unemployment and income inequality.

manufacturing based industrial structure to one supported by the more employment intensive service sector. During the two decades prior to 1992, employment in the United States increased at a rate that was more than five times the rate of employment growth in the twelve states of the European Community (Boissonnat 1996: 9). According to some commentators (Boissonnat 1996: 9; Padalino and Vivarelli 1997), the competitiveness of the United States wage-labour nexus accounts for this astounding contrast. As a consequence primarily of the way wages are structured, it is also argued (Wheeler 1992: 27) that real compensation did not increase in the United States between 1977 and 1987 as it did in other OECD countries.

The millions of new jobs created during the past two decades have absorbed a record number of labour market participants. The participation rate, which has risen steadily since the 1960s, reached an all-time high of 67.1 per cent in 1998 (Elmeskov 1993: 7; Pidgeon and Wray 1999). Many of the newly created jobs are of a temporary or part-time nature, as in other industrialised countries. In the United States however, the proportion of the population who are employed full-time has actually increased by 13 per cent since 1970, in contrast to a decline in this same percentage in other OECD countries⁷. In association with these trends, unemployment levels have remained at a thirty-year low, female unemployment is the lowest it has been for forty years and African American unemployment has reached the lowest recorded level (Forbes 2000; Pidgeon and Wray 1999).

As in other OECD countries, employment growth in the service sector, which has provided the main source of employment for more than fifty years, (Alic, Wial, and Herzenberg 1998: 1) has dominated labour market trends. The United States now has the second highest percentage of service sector employees amongst OECD countries, employing 73.7 per cent of the civilian labour force (OECD 2000g: 17). See table 1, page 71. When employment in

⁷ In Australia, for example, the percentage of persons employed full-time has fallen by 16 per cent in the same period (Gregory 1997: 223).

the services division, the largest section of the service-producing sector, slowed from an average growth rate of 4.5 per cent between 1993 and 1997, to a growth rate of 3.8 per cent in 1998, the sectors most severely affected were health care and business services (Goodman and Considine 1999, February: 5).

Monetary and fiscal policies during the past decade have, according to Herd (1999) helped sustain the growth impetus by maintaining price stability in the former case and helping to stabilise the economy in the latter case. Minimal regulatory barriers to domestic and international competition and flexibility in product and labour markets, all tenets of neo-liberal policy settings have been instrumental in the predominantly non-interventionist process of economic adjustment. Macro and microeconomic policies that have sustained high levels of growth and employment have been credited by the OECD (1997c: 18) for maintaining a flexible labour market in which employment gaps are filled by a ready supply of labour.

From this broad summary of economic and employment trends it can be argued that sustained developments in each area have been supported by a unique policy mix that prioritises both aspects of this policy regime. In the remainder of this chapter, the origins of the contemporary industrial relations institutional and policy framework will be discussed, in order to identify the main elements of the employment system. Secondly, relevant policy changes that have been implemented in recent decades will be analysed. It remains the task of the case study in chapter 4 to explore labour market developments of the past thirty years in depth, including an examination of the nature of employment created and the labour market consequences for various groups of workers.

Table 1 Percentage change in total labour force, female participation rates and civilian employment in OECD countries

	TOTAL LABOUR FORCE			CIVILIAN EMPLOYMENT						
	Change 1988 - 1998 %	Female participation rate (1) %		Change 1988 - 1998 %	Agriculture, forestry, fishing %		Industry		Services	
		1998	1988		1998	1988	1998	1988	1998	1988
Australia	18.0	65.0	59.1	16.9	4.8	5.8	21.9	26.4	73.3	67.8
Austria	13.3	61.9	53.7	11.4	6.6	8.1	31.8	37.4	61.7	54.5
Belgium	5.4	57.8	51.2	3.0	2.4	2.8	26.0	28.3	71.5	68.9
Canada	12.3	69.4	69.1	11.8	3.7	4.4	22.4	25.8	73.9	69.8
Czech Rep	..	69.2	..	-1.8	5.5	12.0	41.3	47.4	53.1	40.7
Denmark	-1.1	75.3	77.6	-0.1	3.6	5.8	27.0	27.2	69.4	67.1
Finland	-1.6	69.9	73.0	-8.6	6.5	9.8	27.7	30.6	65.7	59.6
France	5.4	60.2	57.1	4.0	4.4	6.6	25.2	30.3	70.4	63.3
Germany	..	63.1	55.4a	..	2.8	4.0a	34.5	39.9a	62.6	56.0a
Greece	12.2	..	43.5	8.5	17.7	36.6	23.0	27.2	59.2	46.2
Hungary	..	50.7	..	..	7.6	..	34.6	..	57.0	..
Iceland	18.1	81.2	68.0	15.5	8.6	10.2	25.1	30.2	66.3	59.5
Ireland	24.4	52.6	37.6	38.7	9.1	15.4	29.2	27.8	62.3	57.0
Italy	-2.9	45.0	43.2	-3.2	6.6	9.9	31.9	32.4	61.4	57.7
Japan	9.8	63.9	58.4	8.0	5.3	7.9	32.3	34.1	62.5	58.0
Korea	23.6	52.1	48.8	18.1	12.2	20.7	27.8	33.7	60.0	45.6
Luxembourg	36.5	..	47.2	35.5	2.3	3.7	24.9	31.9	72.0	64.5
Mexico	..	42.8	..	..	19.4	..	24.7	..	55.9	..
Netherlands	17.4	62.7	50.6	25.1	3.3	4.8	21.7	26.4	75.0	68.8
New Zealand	16.5	67.1	62.4	15.1	8.5	10.3	23.9	26.1	67.0	63.5
Norway	6.1	76.3	72.8	6.6	4.7	6.4	23.4	26.4	71.9	67.1
Poland	..	59.8	..	..	19.2	..	32.1	..	48.8	..
Portugal	8.0	65.2	58.2	9.9	13.6	20.7	36.0	35.1	50.4	44.2
Spain	9.8	47.8	39.6	12.0	8.0	14.4	30.4	32.5	61.5	53.1
Sweden	-4.8	72.6	80.1	-9.5	2.6	3.8	25.7	29.5	71.7	66.7
Switzerland	10.1	70.3	58.0	6.7	4.6	5.5	26.2	33.8	69.1	57.1
Turkey	15.7	30.9	37.0	18.7	42.3	46.5	22.8	22.3	34.9	31.2
United Kingdom	2.4	67.2	63.7	5.5	1.7	2.3	26.5	33.0	71.8	65.1
United States	12.6	71.3	67.1	14.3	2.7	2.9	23.6	26.9	73.7	70.2
G7 (2)	...	65.3	60.8	..	3.6	4.9	27.4	30.9	69.0	64.3
EU-15 (2)	..	..	53.5	..	4.8	7.3	29.4	33.1	65.9	59.7
OECD Total (2)	..	..	..	..	7.8	..	27.3	..	64.9	..

Notes:.. not available

1. Defined as female labour-force of all ages divided by female population aged 15-64.

2. Only data shown in this table are included in these totals.

a Former West Germany only

Source: (OECD 2000g: 16, 17).

The Employment System in its Historical Context

The main components of the United States employment system are an individualised wage structure, minimal laws regulating conditions of employment and enterprise based regulatory powers, which are arbitrated in the civil courts. By comparison with other OECD countries, particularly continental European nations, the United States employment structure relies more heavily on common law than labour legislation (Bean 1985: 105) and has no tradition of co-operation between social partners. While economic advisers have a fundamental role in formulating employment and other public policy, representatives of labour and management are generally not included in the development of such policies.

Role of the state in regulating employment

The involvement of the state in industrial relations issues has been described as a “tight legalistic approach” by Bain (1997: 177) in his analysis of the manner in which disputes are managed in a deregulated system of workplace health and safety. Evidence of this arbitrary approach is reflected in the unique legal framework that governs the process of collective bargaining (Bean 1985: 101; Bray 1992: 76) and the role of state agencies in setting standards and resolving disputes⁸. Extensive legislation also regulates union representation and bargaining, particularly in the case of grievances that arise during the term of a negotiated agreement. Considerably fewer legislative measures determine conditions of employment. Federal and State laws set minimum hourly wages for part-time and full-time employees⁹ and establish overtime rates of pay for

⁸ In addition, there are a number of specialist agencies established as legal secondary and tertiary support and mediation structures for the negotiation process, many of which have been dismantled by recent administrations, according to Gilson (1991, March: 43).

⁹ About seventy per cent of the labour force and thirty per cent of employers are covered by Federal minimum wage laws. More than forty States have legislation that is different from Federal minimum wage laws, in some cases determining a wage level higher than the Federal minimum wage. State laws are revised more frequently than Federal laws, and while they are intended to supplant Federal laws by providing a higher wage floor or improved conditions,

hourly employees after forty hours of employment and work during public holidays. Labour legislation also regulates termination of employment, unemployment compensation, health and safety, pensions, polygraph protection, plant closing and discrimination due to race, sex or disability. Right-to-work laws prohibit compulsory union membership for private sector employees in twenty-one states, while constitutional provisions ban compulsory union membership for public sector employees (Miller 1998: 232). Other conditions of employment, including paid holidays, working hours, fringe benefits and health insurance are determined by collective negotiations or individual agreements.

Decentralised wage bargaining and low minimum wages

While citizens of the United States enjoy the second highest rate of GDP per capita, after Luxembourg (OECD 2000g: 79), the rate of distribution is more uneven than in any other OECD country. For many analysts, the construction of the wage system, which is based on a low minimum wage and decentralised wage bargaining, is responsible for this inequity. Highly skilled, entrepreneurial employees have a strong capacity to increase their earned income and employment benefits through a process of individual bargaining. Unionised workers, likewise, use collective bargaining to obtain above minimum wages and conditions. It is documented, however that wages for the 12 per cent of employees covered by collective agreements (ILO 1998b) increase more slowly with experience (Freeman 1980) and even more gradually with tenure than wages for non-union workers (Kuhn and Sweetman 1999). Further studies (Grant 2001: 54) have found that the loss of bargaining power associated with the reforms of the early 1980s has dramatically increased the rigidity of union wages, compared to non-union wages.

they tend to offer exemptions for certain groups of workers and are uneven in their coverage (Schiller 1994).

The practice of setting the minimum wage at or below the market clearing level has been promoted by neo-classical economists on the basis that the employment effect of the minimum wage is maximised, jobs are created and unemployment levels fall. This practice receives strong support by both Republican and Democrat Governments, despite international evidence (OECD 1998, June: 48), which suggests that minimum wages have no impact on the employment outcomes of prime age adults. According to this OECD study, increases in minimum wages do have a negative effect on teenage employment. Unlike other minimum wage countries, including Belgium, France, Greece, Hungary, Japan, Korea, Luxembourg, Mexico, the Netherlands, Poland, Portugal, Spain and Turkey where there is either automatic indexation, or wage rates are reviewed and adjusted on a regular basis, there is no process for indexing price and wage inflation in the United States (OECD 1998, June: 35). The practice of linking the minimum wage to productivity levels ceased in the mid 1960's, after which time, according to Alic (1998: 4) the minimum wage fell to half its value in relation to productivity.

A market-driven wage system, which is complemented by minimal regulations regarding hiring and firing and very limited welfare benefits, is strongly supported by mainstream economists (Gottliebsen 1997: 6; Shann 1996: 45) and politicians in general. They argue that low rates of unemployment are more favourable than higher wages and higher unemployment found in other OECD countries with regulated labour markets. In addition, it is understood (Gregory 1997: 224) that the flexibility of the labour market enables shifts in demand to be absorbed by average wage adjustments rather than increased unemployment. As a consequence, the United States has almost twice as many low-wage employees in percentage terms as Belgium, France, Italy, the Netherlands and Germany, when low wages are defined as less than two-thirds the median earnings of all full-time workers (Shann 1996: 16). Similarly, more than thirty per cent of secondary educated workers have low wage jobs in the United States, compared to ten per cent in France. These figures illustrate the

effects of the low wage, low skill employment strategy for which the United States is renowned (Blau 1999; Matzner and Streeck 1991: 6).

Table 2 Employment shares and real earnings by occupation in the U.S. 1979-1992

OCCUPATION	EMPLOYMENT SHARE		% CHANGE	EARNINGS (1)		% CHANGE
	1979	1992		1979	1992	
Executive, administrative managerial	11.6	12.9	1.3	43,872	43,441	-1.0
Professional specialty	14.1	15.1	1.0	38,176	40,577	6.3
Precision production, craft and repair	1.4	11.0	-2.6	34,330	30,799	-10.3
Sales	9.4	9.6	2.3	32,994	35,015	3.1
Technicians	0.9	3.9	0.9	32,991	32,701	-0.9
Protective service	1.7	2.0	0.3	32,565	32,543	-0.1
Transportation and material moving equipment	5.1	4.5	-0.6	31,567	27,762	-12.1
Machine operators	9.6	7.5	-2.1	26,147	22,948	-12.2
Handlers, cleaners, helpers and labourers	4.3	3.7	-0.6	24,515	20,812	-15.1
Administrative support	18.0	16.8	-1.2	23,847	23,996	0.6
Farming, forestry and fishing	1.4	1.7	0.3	19,914	16,864	-15.3
Other service	9.4	10.6	1.2	18,029	16,530	-8.3
Private household	0.9	0.7	-0.2	8,734	12,256	40.3

1. Real earnings in 1992 CPI-U-X1 adjusted dollars of full-time year-round workers, aged 25-64. Source: Bureau of Labour Statistics quoted in OECD (1996b: 86).

Since high-skilled jobs have grown at a faster rate overall than jobs in the low skill sector, the decreasing demand for unskilled labour is putting downward pressure on wages at the low end of the labour market (Dore 1997: 264), which is accompanied by upward pressure on wages in the skilled sector. See table 2. As a consequence of declining average weekly earnings of production and non-supervisory workers, which fell by 18 per cent between the late 1970s and 1993,

it was suggested in a recent OECD (1997e: 20) report that employment growth has occurred at the cost of income and employment security. The link between unemployment and minimum wages has its historical link in legislation passed in 1933, the *National Industrial Recovery Act* which aimed to lower unemployment levels by reducing the number of weekly hours worked. Although this legislation was abandoned in 1935, the 1938 *Fair Labor Standards Act* reinstated the minimum wage-employment nexus by introducing a forty cents-an-hour, forty-hour week and a minimum wage of not more than eighty cents an hour (Ayres 1997: 40).

Limited employment regulations

By comparison with other OECD countries, labour contracts other than those that are collectively bargained in unionised establishments, are not formally regulated and there are relatively few employment regulations. For unionised employees the level of wages and conditions of employment are considerably improved under the terms of a negotiated union contract. Even though union contracts cover a small minority of workplaces¹⁰, it is understood (Craypo 1992: 301; OECD 1998e: 5) that by degrees, union contracts influence broader employment practices. It is difficult to quantify this claim in terms of concrete evidence, but it is argued (Kochan, Katz, and Mckersie 1986; Weinstein and Kochan 1995: 2), that employers anxious to avoid the unionisation of their work force have adopted wage levels and personnel policies similar to those implemented under collective bargaining agreements. Varied conditions of employment can evolve for workers employed in the same industry, since the terms of employment in enterprise-based agreements do not extend to workers

¹⁰ In 1988, when 17 per cent of workers were unionised, the percentage of workers covered by collective agreements was 19 per cent (Curme, Hirsch, and Macpherson 1990). In 1995, when trade union membership of wage and salary earners had fallen to 14.2 per cent, collective bargaining coverage also fell to 11.7 per cent (ILO 1998b). Referring to the co-relation between union density and collective bargaining, Wever (1998: 391) notes that there is some degree of confusion concerning the exact relationship, since in France and Germany density is far outweighed by collective bargaining coverage.

in the same industry and occupation in a non-unionised workplace even though they apply to non-unionised employees in a unionised workplace (Bray 1992: 76). In addition, considerable diversity in the negotiation of collective agreements is possible under the legal framework governing collective bargaining. According to one analyst (Bray 1992: 83) the absence of legally binding requirements on employers, operating from a historically powerful position in a strong market economy has led to increasing variance and decentralisation of employment relations and a weakened role for collective bargaining. As trade unions' power base has diminished, their effectiveness in the collective bargaining process has lessened. Consequently, the focus of U.S. unions may be shifting away from an overwhelming reliance upon collective bargaining, with its restricted and diminishing coverage, towards increasing support for the method of legal enactment, according to Bean (1985: 118).

As in other OECD countries facing similar problems of union density associated with declining manufacturing employment, the activities of United States labour organisations have been in transition as they seek greater capacity to represent their membership and influence labour practices. Traditionally, collective negotiations have occurred as single-employer contracts, a practice that is far more common in the manufacturing than the non-manufacturing industry (Kochan 1980). With the rapid expansion of service sector employment, the trend towards 'pattern' bargaining (Kochan 1980; Sisson 1987) has continued to grow and has become increasingly prevalent in the hospitality sector. For instance, in San Francisco the majority of Class A hotels that are unionised are covered by the same agreement¹¹.

The collective bargaining process has relatively recent origins in President Franklin D. Roosevelt's New Deal legislation. The *National Labor Relations Act* of 1935 provided legal support for the rights of workers to organise and bargain collectively, and established the National Labor Relations

¹¹ Thi-Do, Tho (2000) pers. comm., July 13th.

Board to adjudicate claims of unfair labour practices. The *Fair Labor Standards Act* of 1938 established national standards governing minimum wages, overtime rates and child labour. It is considered (Sisson 1986: 199; Weinstein and Kochan 1995: 2) that these legal frameworks, which resulted from government and employer efforts to enlist trade union co-operation during the social and economic upheaval of the mid 1930s, defined workplace power relationships and created a unique relationship between trade union membership and collective bargaining. Three main characteristics have resulted from the centrality of collective bargaining in this system of industrial relations according to Weinstein and Kochan (1995: 2). They argue that collective bargaining became the means by which labour-management disputes were resolved, management's prerogative in determining strategic decisions affecting the enterprise was established and labour introduced narrowly defined occupational descriptions. Finally, they (Weinstein and Kochan 1995) suggest that some of the elements of this era of labour relations have continued to influence the development of industrial relations practices, particularly the rights of management, which come under threat only when labour has sufficient capacity to mobilise against them.

One of the few instances of representatives of labour being invited to participate in the development of employment policy is reflected in the establishment in 1935 of the National Labor Relations Board, consisting of equal representation of management, labour and public figures. While the *Employment Act* of 1946 established a fundamental role for economics and economic advisers in formulating employment and other public policy (Cobb, Halstead, and Rowe 1995: 64; Shoup 1980: 168), representatives of labour have rarely been included in the development of such policies. Tri-partite social dialogue between labour, management and Government was promoted and initiated to a small extent during Robert Reich's appointment as Secretary of

Labor in the early part of the Clinton regime¹², (Quan 2000) but in general, the United States has not attempted to engage in social partnership arrangements as they exist in several Western European countries.

Legislation introduced under President Roosevelt's New Deal policies provided the most significant alternative approach to the prevailing orthodoxy of laissez-faire capitalism, which was in vogue for much of the 20th century. With the aim of stimulating the post Depression economy, Roosevelt focused on developing new principles governing employment and social welfare. Unionism was encouraged and workers were guaranteed minimum standards of employment and wages. The *Social Security Act* introduced in 1935, established a system of contributory old-age pensions and encouraged states to establish unemployment insurance schemes. The 1944 *Servicemen's Readjustment Act* financed tuition costs at universities and colleges for a broad cross section of society, provided family allowances, low-interest loans for homes, families and businesses and twelve months of unemployment payments. Roosevelt's proposed legislation guaranteeing full employment was however, defeated by opposition from conservative political and business leaders (Ginsburg et al. 1997: 10). Unlike governments in most European countries, the United States government, under either Republican or Democratic leadership, has not assumed responsibility for economic management by controlling large sections of industry and employing substantial numbers of workers. This non-interventionist role of the state since the immediate post-war period, is now being emulated by governments in other industrialised countries, according to Britton (1997: 300) through privatisation of public sector utilities and deregulation of industries.

¹² The Dunlop Commission and the 1993 Conference on the Future of the American Workplace, were all initiated by Reich, in conjunction with former Secretary of Commerce Ronald H. Brown. They aimed to involve labour, management, government and in the latter case, academics in finding co-operative means of improving labour-management relations, productivity and international competitiveness. The Apparel Industry Partnership consortium, formed in 1996 consisted of management, labour and representatives of pro-labour non-

Instances where public response to major social issues influenced legislative developments in the 1960s, are represented by two major pieces of legislation aimed at protecting of the rights of minority groups against workplace discrimination. In response to the civil rights activism of that period, the *Civil Rights Act* was passed in 1964 and in 1967 legislation prohibiting the discrimination of employees aged forty and over was introduced in the *Age Discrimination in Employment Act*. Additional legislative protection was provided for older workers in the form of statutes requiring sixty days advance notice of retrenchment (Siegel 2000: 230).

Minimalist welfare state

In relation to social policies, including those aimed at addressing unemployment, the United States model of a minimalist welfare state has a tradition that differs quite considerably from those implemented in many other OECD countries¹³. Public policy in this area has its basis in the assumption that strategies, which assist workers make the transition from unemployment to employment, will lessen structural unemployment (Ehrenberg and Smith 1997: 580). This philosophy is reflected in the principles of the *Trade Expansion Act* of 1962. Under the Trade Assistance Program, policies aimed at improving the employment opportunities of workers displaced as a result of changes caused by the impact of foreign competition on product demand were initiated (Ehrenberg and Smith 1997: 580). These policies, which were adapted during the 1970s and 1980s, were designed to improve access to subsidised training, provide financial assistance for workers relocating to another geographic area for job-related purposes, make available information on labour market conditions in

government organisations to address the need for codes of conduct and compliance monitoring in the shoe and apparel industries.

¹³ In many European countries, legislation restricts firms from firing workers. For example, in France, employers are required to notify the government if they intend dismissing more than ten workers. They must also consult with worker representatives and provide an extended waiting period and severance pay (Abraham and Houseman 1997).

other regions and give advance notice of impending dismissals due to plant closures¹⁴ (Ehrenberg and Smith 1997: 578).

One instance where public policy was implemented to provide social assistance on a somewhat broader scale than usual was the introduction of the *Servicemen's Readjustment Act* of 1944. It has been described (Skocpol 1997) as one of the more progressive pieces of U.S. legislation. In financing the university and college education of 7.8 million returned soldiers and providing Federally funded low-interest loans and twelve months payment of unemployment benefits, this act invested heavily in returned soldiers and their families and extended social assistance beyond the realm of aging men and dependent mothers and children. As the recipients of these benefits moved through the system, however, "the investments of U.S. social provision in young men and their families dissipated too" writes Skocpol (1997: 101). While Republican gains at the time this legislation was implemented and in consequent elections have over-shadowed the re-enactment of similar broad based social assistance, Skocpol (1997: 114) argues that the Democrat Administration since 1992 has not produced legislation that breaks so strongly with established norms and traditions in United States public policy.

The above discussion illustrates the impact of the strong interaction between tradition, political ideologies, cultural norms and social expectations on the development of public policy. The purpose of this section has consisted in providing a backdrop to the policy shifts that have occurred during the past three decades in response to economic and political pressures associated with economic globalisation. For these reasons, the ideological foundation on which labour market policies and institutions were built has been examined in order to understand the evolution of contemporary policies and practices. It will be noted in the next section that policy changes during recent decades have

¹⁴ In 1988 the *Worker Adjustment and Retraining Notification Act* was introduced, requiring firms with one hundred or more employees to give 60 days' notice to staff and local government that closure and lay-offs are imminent.

occurred in conjunction with the traditional approach to public policy discussed previously. It will also be observed that such developments are understandable only within the unique ideological and cultural agenda in which they were originally formulated. Certain policies that have been adopted by administrations of either major party would not be acceptable in other similar market economies confronted with comparable challenges. One specific theme of this thesis is to contrast in broad terms the different approaches adopted by the United States and countries of continental Europe, particularly those with a strong social democratic tradition. This is necessary in order to appreciate the differences between these approaches and to understand to some degree why they were considered politically expedient in one or other environment.

Policy Responses to the Impact of Global Economic Pressures

The influence of economic liberalism on policy shifts of the past three decades is evident in all areas of public policy that are relevant to the issues examined in this thesis. In this discussion of contemporary policy developments, an attempt will be made to identify the interaction of the prevailing ideology, with strategies adopted by the Republican Reagan Administration of the 1980s, or the Democratic Clinton regime of the 1990s. Despite the change in government during this period, there is no strong evidence of substantially different political approaches, as might be expected from such a changeover. It will be argued that as a culture United States society largely supports the principles of market capitalism to the extent that a new administration does not bring with it strong measures aimed at reforming existing practices. In this way, the United States can be compared with other OECD countries, which have political regimes that are strongly representative of opposing ideologies, such as the Christian Democratic Party and the Italian Communist Party in Italy, or the Social Democratic Party and Conservative People's Party in Denmark. It can also be acknowledged at this point, that there has been a broad international tendency for governments of all political persuasions to move towards neo-liberal market

oriented policies as they have adapted to the pressures of economic globalisation. Central to the argument of this thesis is the contention that they have done so without abandoning, or in the case of the United States, in conjunction with, their ideological traditions and cultural conventions.

In the wake of the recovery from the economic crisis precipitated by the oil shocks of 1973 and the 1974-75 recession, newly elected Democratic President Jimmy Carter, adopted anti-inflationary economic policies and undertook considerable reform of taxation, welfare and labour law. Economic policy focused on reducing inflationary pressures by restraining wages and prices. Government spending on social welfare programs and Federal wages were reduced and large sectors of the economy were deregulated. One analyst (Shoup 1980: 197) argues that economic policies implemented by the Carter Administration, which he describes as 'pro-business', became more intensive during the four-year term. Shoup (1980: 204) considers that Carter's economic program had the desired effect in that it succeeded in raising

corporate profits to record high levels. While most Americans are tightening their belts under the impact of inflation and recession, corporations and their stockholders are enjoying a string of prosperous years.

Economic reform initiated by the Carter Administration could be defined as a forerunner to that undertaken by President Reagan in his vigorous attempts to increase economic competitiveness and regain geopolitical influence. The ideological foundations for policy reform of this decade have been closely associated with the emergence of the "New Right" which occurred under British Prime Minister Thatcher's political regime. In both cases, it is argued (Krieger 1986: 202) that "the decisive decline in economic growth" was the catalyst for the policy approach adopted by the respective administrations.

President Reagan's employment policy has been characterised (Matzner and Streeck 1991: 6) as one that used supply side strategies to introduce wage cuts, reduce the capacity and effectiveness of labour unions and limit investment in skill formation and research and development. By examining approaches

adopted by certain European countries also facing global economic pressures, these authors argue that some countries, which refused to accept low-wage, low-skill employment, have been successful in developing demand side strategies to increase high-wage, high-skill employment that enhances international competitiveness. By comparison with the United States, Matzner and Streeck (1991: 6) suggest that there was not the necessary combination of institutionalised expectations of high-quality employment, a social and political power balance capable of supporting such expectations, and the capacity of public policy to produce and implement the labour market policies necessary to achieve high, rather than low quality jobs. This perspective summarises the alternative approaches adopted by different national governments during the 1980s period of economic reconstruction. Similarly, it reflects one of the major sources of difference between the way the United States and countries of continental Europe dealt with labour market problems of that era.

After three terms, Ronald Reagan was replaced by Bill Clinton, who was elected in 1992 on a platform of legislative reform inspired by social democratic principles. Clinton promoted a publicly funded health system, a new agenda for education and training, labour law reform and support for trade union activities. The latter took the form of the *Workplace Democracy Act* in 1995, which aimed to restore the rights of trade unions to organise, which had been revoked under the 1947 *Labor Management Relations Act*. After significant defeats at the hands of the opposition, which included a failure to pass the aforementioned health and workplace legislation, Clinton moderated his approach, integrating elements of conservative and more traditional Democratic views into the reform of employment and welfare policy (Green 1999: 6; Skocpol 1997: 111). His new approach, described (Judis 2000: 41) as a moderate line between Democrat and Republican views, was applied to “ending welfare as we know it” and he focused on introducing legislation requiring welfare recipients to undertake training and obtain employment within two years of receiving assistance (Heckman 1994: 7; Mead 1997: 224). These reforms parallel those of the

Carter Administration, which according to Shoup (1980: 165) marked the end of the liberal Democratic welfare tradition that had since 1933 promoted policies aimed at maintaining social cohesion through innovative welfare programs.

Legislation introduced by President Clinton in 1997, increasing the minimum wage from \$4.25 to \$5.15 an hour for hourly paid workers, received overwhelming support from eighty four per cent of the United States public. By contrast, it was negatively received by seventy seven per cent of the members of the American Economics Association (Blau 1999: 71), who maintained that increasing the minimum wage would cost jobs¹⁵. Arguing from a similar perspective, the OECD (1998d: 33) in its evaluation of this legislation, concluded that by increasing the minimum wage the United States had moved in the opposite direction of earlier recommendations derived from its Jobs Strategy, which supported a low minimum wage.

During the Clinton era, when the share of output and employment growth of service industries intensified, structural reforms focused on improving the economic efficiency of this sector. Extensive deregulation and privatisation was undertaken, with the consequence that it is among the least regulated of all OECD countries (OECD 1996a: 66). Employment issues associated with diverse forms of employment arrangements that have emerged in conjunction with employment growth in the labour intensive service sector have not received the same attention in the United States as in other OECD countries facing similar labour market developments. For instance, the United States has no labour legislation that applies to workers in atypical employment arrangements, particularly those in temporary or contract employment (OECD 1998e: 6). While non-standard employment constitutes a significant sector of the labour

¹⁵ Blau (1999: 72) refers to research conducted by David Card and Alan Krueger, which compares the employment impact of the increase of the minimum wage in New Jersey in 1992 with Pennsylvania in which the Federal minimum was paid. Despite a number of criticisms of the validity of their research, Blau argues that the main finding, i.e. that employment actually increased in New Jersey has not been adequately discounted.

market¹⁶, labour legislation enacted before its emergence in the 1980s takes no account of the large numbers of predominantly female temporary employees and predominantly male contract employees. Some analysts (Wheeler 1992: 27) have noted that disadvantages associated with non-standard employment. They arise from the fact that non-standard employees are unable to gain access to unemployment benefits and health insurance, since these provisions are linked to full-time contracts of employment. This situation is compounded because contract and temporary workers have difficulty obtaining union representation and becoming part of existing bargaining units (OECD 1998e: 7). Reluctance to address these contemporary labour market issues corresponds with the prevailing ideology and practice of allowing market mechanisms to regulate employment arrangements, which might in other societies, be addressed by legislative reform¹⁷.

In the remainder of this section, a brief outline of policy developments in the areas of active and passive labour market programs, education and vocational training and welfare reform will identify major shifts that have occurred under recent administrations. In order to distinguish the characteristics of the United States approach to dealing with labour market problems of the past three decades, policy shifts are discussed in relation to existing policies in each area. The relevance of doing so is to identify the impact of either a Republican or Democratic Administration and the relationship between broader social or cultural conventions. Welfare-to-work policies introduced by Democrat President Clinton, which as some commentators (Heckman 1994: 7) argue received broad support from the American public, may be considered extreme by citizens from countries with a strong social democratic tradition, for

¹⁶ The fastest growing industry during the past decade was personnel supply services, consisting of employment agencies that lease temporary workers (Plunkett and Hayge 1995).

¹⁷ Recent decisions by the Australian Industrial Relations Commission (AIRC) are of interest in this context. In May 2001, the Commission granted the right to unpaid parental leave to employees in four industries, who will now be eligible to apply for leave after 12 months continuous employment.

example. Similarly, the “self-help” disposition inherent in the United States population would, according to Sen (1998) make it socially and politically unacceptable to tolerate the high levels of unemployment that persist in Europe.

Active and passive labour market programs

The emphasis on active rather than passive labour market programs, which is an innate aspect on the United States approach to dealing with unemployment, has been strengthened by successive administrations of either political regime. In the earliest unemployment crises, during the Depressions of 1873 and 1930, governments changed their response from direct financial aid in the former case to public works programs in the latter. Massive public works job creation programs established in the *Emergency Relief Appropriation Act* under the New Deal legislation, had as their primary aim the provision of jobs to employ 3.5 million unemployed workers (Janoski 1990). President Roosevelt promoted the above programs on the basis that they were a fiscally responsible means of stimulating the economy, relieving national disasters and reducing unemployment (Janoski 1990: 73). In the amendments to the *Social Security Act* introduced in 1967, a link between publicly funded welfare assistance and vocational training was initiated. This is illustrated by the principles of the Work Incentive Program launched under these reforms, which focused on moving persons not in the labour force, particularly single mothers, from public assistance to vocational training. The latter was designed to lead directly to employment. In subsequent amendments, introduced in 1971, these principles were augmented, since from that time welfare recipients were obliged to participate in training programs rather than volunteering to do so (Janoski 1990: 130).

The philosophy underlying these changes was reinforced by President Bill Clinton’s welfare reform package, which reduced the benefits for welfare recipients unable to obtain employment after a two-year training program. Another aspect of the Clinton Administration’s response to the unemployment

problem was to combine the Trade Adjustment Assistance program and the Economic Dislocation and Worker Adjustment Assistance program, in order to increase public investment in retraining of workers dislocated as a result of industry restructuring, foreign competition and downsizing of the defence sector (Heckman 1994: 7).

In relative terms, the United States expends a very small percentage of GDP on either active or passive labour market programs. The share of expenditure on active labour market programs¹⁸ of 0.2 per cent of GDP in 1996 is at the bottom of the scale of OECD countries, slightly ahead of Japan and the Czech Republic (OECD 1998g: 6). Spending on passive labour market programs of 0.3 per cent of GDP in 1996 is a little less than Japan and a little more than the Czech Republic (OECD 1998b: 14). By comparison, the considerably smaller European countries, including Denmark, Finland, the Netherlands and Belgium invest between 2.8 per cent and 4.5 per cent in passive labour market measures and between 1.5 per cent and 2.4 per cent on active labour market measures. In the case of Sweden, which has a lower rate of expenditure on passive labour market programs, it spends an equivalent amount as Denmark, i.e. 2.4 per cent on active labour market measures (OECD 1998b: 14).

In recent reforms of labour market programs, recommended by the 1994 OECD *Jobs Strategy*, the United States was among seven countries, including the United Kingdom, Canada, Austria, Finland, New Zealand and Sweden that implemented recommendations aimed at reducing work disincentives (OECD 1998d: 15). No action was taken, on two other recommendations concerning reforming programs for disabled workers in order to limit the disincentives to

¹⁸ Thirty nine per cent of all expenditure on active labour market programs is directed to the administration of the public employment service, which provides job search assistance to unemployed persons, including a vocational counselling and overseeing the fulfilment of job-search responsibilities associated with eligibility for insurance payments (OECD 1998g: 18). Twenty one per cent and twenty per cent of spending on active labour market programs is on programs for the disabled and labour market training, respectively (OECD 1998g: 19).

work, and strengthening the unemployment insurance scheme (OECD 1998d). Despite the OECD (1998d: 36) *Jobs Strategy* recommendation, to “strengthen the emphasis on active labour market policies and reinforce their effectiveness” it is interesting to note that there were no specific directives made by the Economic and Development Review Committee (EDRC) conducting the 1997/8 country specific examination of the United States implementation of the Jobs Strategy. One reason for this may be the fact that unemployment is already very low in the United States, although other countries with similarly low unemployment levels at that time, including Austria, Japan, the Netherlands, Norway and Switzerland were asked to implement between one and three recommendations to improve their active labour market policies (OECD 1998d: 36).

In comparing this data, it is important to consider that financial assistance for persons not in the labour market differs markedly in the United States from other industrialised countries. Publicly funded welfare assistance is available on a temporary basis for needy families¹⁹ and for those who qualify for a disability pension. Unemployment insurance is payable in short term payments²⁰ to persons previously employed, at approximately fifty per cent of the earnings received in a prior job and the demonstrated effort to obtain a replacement position (Ehrenberg and Smith 1997: 573). Unemployment insurance benefits are administered by individual states, and while unemployment compensation is provided at the state level for workers who are

¹⁹ Under the eligibility criteria for Temporary Assistance for Needy Families, which replaced the Aid for Families with Dependent Children in the 1996 *Personal Responsibility and Work Opportunities Act*, funding is available for no more than five years. Persons receiving payments are required to participate in a work-related activity after two years (Finn 1999: 135).

²⁰ The maximum duration of payment is generally twenty-six weeks, which can be extended to thirty nine weeks in states with very high levels of unemployment. (Ehrenberg and Smith 1997: 573). In the State of Illinois, which experimented with an incentive payment for unemployed persons who found a new job within eleven weeks and maintained that position for a minimum of four weeks, positive results have been cited. This has led to similar experiments being introduced in New Jersey, Pennsylvania and Washington (Meyer 1995, March; OECD 1998g: 18).

involuntarily unemployed, funding is controlled at the Federal level (Wheeler 1993: 68).

A significant aspect of arrangements governing unemployment insurance payments and the correlation with unemployment levels is the financing of unemployment compensation. Since unemployment insurance in the majority of states is derived from payroll tax, there is a tendency for firms to stand down staff for temporary periods rather than adjust real wages. Unemployment benefits, which are determined by prevailing economic conditions and wages in a particular industry, have a ceiling level above and below which employers are not required to pay. According to their lay off experience, employers are taxed at a minimum and maximum rate above and below a certain level of frequency in standing down employees. Ehrenberg (1997: 590) argues that the current system would create a disincentive to temporary lay-offs if it were adjusted according to the absolute number of workers laid-off²¹, instead of setting a minimum and maximum range above and below which the unemployment tax paid by firms is unaffected. In this instance, the connection between market fluctuation and staffing levels can be observed, since firms are in a position to evaluate the more financially expeditious decision to pay either wages or unemployment insurance in times of economic downturn.

As mentioned earlier, policies governing welfare, vocational training and labour market programs are relevant to the issues examined in this thesis. Each of these policy areas is closely interlinked, for similar perspicuous purposes as is identified in other industrialised economies. In the case of the United States, a traditional adherence to the practice of market capitalism gives a general coherence to the overall policy package aimed at creating a flexible labour market and participants who are compliant with its conditions. In this sense, it is relevant to examine recent policy developments in the area of welfare, since

²¹ Research by Topel (1990) indicates that the unemployment level would fall by 25 per cent if employers who engage in additional lay offs were required to pay unemployment compensation according to the actual number of workers stood down.

they have in general, been implemented with the intention of ensuring that the United States society is supported by an actively employed labour force. As has been noted above, this philosophy has a considerable degree of support in the broader society as evidenced in the discussion that follows.

Welfare Reform

Following immediately on President Carter's regime, which had restructured welfare programs and reduced administrative expenses associated with the welfare system (Shoup 1980: 174), the Reagan Republican Administration introduced a re-distributive policy program. The main components of this plan were to reform the taxation system and reduce public expenditure on social programs. Budget cuts in the early 1980s focused on decreasing expenditure on the predominant income-support programs, namely Food Stamps and Aid to Families with Dependent Children. Under the *Tax Reform Act* of 1986, the Earned Income Tax Credit scheme²², aimed at removing disincentives to work and providing financial assistance for low-income households was expanded. This program received sufficient political confirmation to warrant a substantial injection of funding, thereby affirming ideological and material support for those citizens who were considered to be endeavouring to meet their own financial needs. The Reagan Administration favoured a decentralised approach to social policy, by relocating policy decisions to the state and local level²³, a process that if it had been widely adopted had the potential, according to Pierson (1996: 155, 156), to limit the capacity of future governments to implement interventionist policies.

²² Under the Earned Income Tax Credit scheme, a refundable tax credit for working-poor families, low income workers are eligible to a credit of forty per cent of earnings up to \$9,000 a rebate which is gradually phased out as earnings increase to \$29,000.

²³ A key element of G.W. Bush's "new" Republicanism in refining the role of Government, is to re-locate responsibility for the delivery of social programs from the state to the marketplace, local communities and faith based organisations (Gray 2000). By adopting a libertarian model of Government by proposing the privatisation of social programs, Bush arguably (Mead 1997: 217) adhered to the traditional conservative response to social problems.

Under a Republican Congress during the Clinton Administration, the means-tested program 'Aid to Families with Dependent Children' has been the main focus of welfare reform since 1994. This program, which provides financial support to impoverished non-working families, was revised under the 1996 *Personal Responsibility and Work Opportunity Reconciliation Act*. Federal funding distributed under this legislation is administered by the states, which enforce strict eligibility criteria, determining whether unwed mothers under eighteen are eligible for assistance. All recipients are required to move from welfare to work and at least fifty per cent of those receiving assistance are expected to have employment by 2002 (Finn 1999:135; Mead 1997: 219). The requirement of welfare recipients to participate in training programs, which was introduced in the above-mentioned *Social Security Act* of 1967, became a dominant policy tool in the 1988 *Family Support Act*.

Federal expenditure on social programs is divided several ways to fund social insurance programs, means-tested programs and education, training, employment and social services. Means-tested programs²⁴ include Medicaid, which provides health care for the most needy, Supplemental Security Income, which extends special assistance to the elderly, blind and disabled, Food Stamps for people living below the poverty line and Aid to Families with Dependent Children. The two social assistance programs that absorb the bulk of Federal expenditure are Social Security for retired and disabled pensioners and Medicare, which provides health insurance for the elderly and disabled. Each of these programs, as well as the unemployment insurance program are financed largely from payroll taxes, and the remainder is funded by the Federal Government. While expenditure on social and public programs as a percentage of GDP has remained relatively stable, growing slightly from 52.8 per cent in 1978 to 53.9 per cent in 1992, it is suggested (Pierson 1996: 146, 150) that

²⁴ Means testing the poor to ascertain their eligibility for assistance contrasts strongly with welfare state policies in most continental European countries, where publicly funded safety nets provide social services to unemployed persons and those on low incomes.

significant changes have occurred in the structure of social programs and the availability of Federal funding during this period. Pierson (1996) argues that by indexing tax brackets and restricting the flow of federal revenue the nature of the welfare state was transformed during the past three decades.

High net replacement rates, which are considered (OECD 1998g: 26) responsible for creating disincentives to work and problems with wage setting in OECD countries, do not exist in the United States. In time-series data on the measure of unemployment and related welfare benefit entitlements²⁵ the United States registers at the second lowest level, having risen slightly above Japan during the period 1961-1995 (OECD 1998g: 24). After Italy, the United States recorded the lowest net replacement rate during the period 1994-1995, for both an average production worker and a worker receiving two-thirds of the wage of an average production worker (OECD 1998g: 25). These figures are calculated for the first month and the sixtieth month of unemployment. As an interesting comparison, net replacement rates are relatively high in Denmark, where unemployment of 5.4 per cent is slightly higher than in the United States²⁶.

The combination of a limited welfare system and the absence of labour market regulations, which is supported by mainstream economists as a significant factor in maintaining low unemployment levels, has received considerable affirmation from the OECD. Strategies in operation in the United States closely mirror the direction proposed by the OECD 1994 *Jobs Strategy*, which focused on reducing unemployment in member countries. Linking the generosity of income support to unemployed persons with unemployment levels, the OECD (1998d: 4) in its *Jobs Strategy* and subsequent evaluation of its implementation, has recommended ongoing reform of unemployment and benefit related systems, and the way they interact with the tax system. These measures

²⁵ This summary measure is defined as the average of gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment (OECD 1998g: 24).

²⁶ See Chapter 7, page 255 for details of Denmark's comprehensive social security system.

include raising work incentives and eligibility criteria for access to social benefits. Such OECD recommendations present an interesting benchmark for comparisons undertaken in this thesis, since by supporting the outcomes achieved by the United States policy regime, the OECD, by implication, is promoting the strategies that have been adopted to reach these outcomes. In the three case studies on the United States, Italy and Denmark it will be possible to examine more closely the labour market outcomes that these policies have produced, and the cultural norms and conventions on which they rest. In the next section, a discussion on policy shifts related to education and vocational training will complement the examination of strategies adopted by recent administrations to improve the employment opportunities of labour force participants.

Education and Vocational Training

In comparison with other OECD countries, the United States has a relatively high performance rating in both the availability and standard of education at the upper end of the education system and the labour market. Twenty seven per cent of adults complete a university education, a figure that is double the OECD average (OECD 1995a: 108). Furthermore, the percentage of adults as a proportion of the employed population, who in 1991 had participated in vocational education was thirty eight per cent, the second highest after Finland (OECD 1995a: 108). In financial terms, the United States investment in tertiary education, at 2.5 per cent of GDP, is higher than any other OECD country and well above the average of 1.7 per cent (OECD 1995a: 108).

The adult education system, which has a mixture of public and private providers, is a highly competitive model that provides a wide diversity of services, and in this way, reflects the market-oriented principles that are evident at all levels of commerce and society. In its assessment of the adult education and vocational training system, the OECD (1995a: 144) notes the influence of historical and cultural phenomena on its shape and function within the

contemporary employment system. Since very little vocational training takes place either in the workplace or the elementary school, publicly funded community colleges and private training institutions have become the primary providers of occupational training during the past thirty years. Post secondary students have the choice of private or public vocational education, apprenticeship or military training, university education or participation in active labour market programs (Janoski 1990: 123). While tax incentives, scholarships and loans are available to subsidise educational expenses, low-income students make a significant contribution towards the cost of their public education²⁷.

Federally-sponsored vocational training programs have traditionally targeted socially or economically marginalised young people, a practice that has been strengthened by legislative changes during the past four decades. From the early 1960's, the 1962 *Manpower Development and Training Act* and the 1964 *Employment Opportunity Act* provided occupational training either in community colleges and vocational schools or on-the-job training by private employers. Employers received government funding for training costs incurred in the twenty-six weeks of the placement. Under the *Employment Opportunity Act*, the Job Corps provided job training and job placement that was linked to General Educational Development preparation²⁸. The early 1970s saw a consolidation of existing vocational training programs and an extension of Government funded work-incentive programs that provided career education and part-time work experience for disadvantaged school-age youth.

Under the *Job Training Partnership Act* (JTPA) of 1983, active labour market policies were designed for workers disadvantaged by their economic situation, education and/or employment history and the responsibility for coordinating programs was moved from community organisations to states.

²⁷ Students in public institutions pay thirty eight per cent of their overall fees compared to thirty six per cent for students in private education and thirty one per cent for those in high-cost private institutions (OECD 1995a: 131).

²⁸ Under this legislation, the Office for Economic Opportunity regulated vocational training, rather than the Department of Labor, as in the previous instance (Janoski 1990).

Delivery of this program remains the responsibility of local government, operating in partnership with representatives of local industry, economic development services, trade unions, community based organisations and rehabilitation agencies (Ball 1996: 61). Participants in JTPA are offered work experience, on the job training, classroom and job search training. Specific programs include Job Corps, a residential program providing workplace skills training and remedial education, and the Youth Fair Chance program. The latter, which provides specialised support to job seekers from the most poverty-stricken regions, resembles “case management” services arranged under similar projects in other OECD countries. It is one of the few programs to offer both work based and school based learning. Since a recent national evaluation of the effectiveness of JTPA programs revealed that they have failed to improve the earned income of disadvantaged youth, almost all the designated funding has been withdrawn²⁹ (OECD 1998g: 13).

Concern for the remedial needs of school leavers, the increasing level of high school dropouts and the decline in real earnings for male high school graduates³⁰ inspired the new Clinton Administration in its policy attempts to address these issues. An initial investment of \$16.5 billion was intended to upgrade skills through schooling and training (Heckman 1994: 1, 2) and existing programs for disadvantaged youth, established under the JTPA, received upwards of fifty per cent more funding (Heckman 1994: 7). In 1994, Congress passed two significant acts. The *School-to-Work Opportunities Act* incorporated employer input and labour market requirements into curriculum design in order to guarantee that occupational skills and standards were

²⁹ Noting that similar programs in other OECD countries have also failed to improve the labour market situation for disadvantaged youth, a recent OECD (1998g: 18) report strongly recommends that the countries concerned research both the reasons for the failure of such programs and possible alternatives that may be more effective.

³⁰ The earnings of male high school graduates fell by four per cent a week between 1979 and 1989, while the earnings of male high school dropouts fell by thirteen per cent and the income of male college graduates increased by eleven per cent during the same period (Heckman 1994).

augmented through vocational studies programs. This Act requires schools to work in partnership with state and local governments, business, and community based organisations to ensure that young people who do not gain college degrees acquire the education and training needed to secure their place in the labour market³¹. Under the “Goals 2000” agenda, which redirects grants made under the above Act to disadvantaged communities, the Federal Government aims to improve educational standards in state-funded schools, as part of its response to the low level of labour productivity growth during the past two decades (OECD 1996b: 107).

In order to situate this discussion on the shifts in policies affecting the functioning of the labour market, employment relations and issues related to unemployment in the unique United States socio-cultural environment, it is pertinent to note the interaction between cultural characteristics, policy development and social transformation in the past three decades. Social norms and public expectations have played a significant role in recent welfare reform, according to Mead (1997) who asserts that there is significant public support for the concept of welfare recipients being obliged to work in return for payment. This expectation is based on the fervent conviction that working age persons have the responsibility of supporting themselves through paid employment (Pierson 1996: 100). As members of a competitive, market oriented society in which individual rights are valued pre-eminently, United States citizens have a certain expectation of the role of social programs that differs considerably from citizens in other western societies, particularly those with a strong social democratic tradition. Likewise, the concept of “earning” welfare support, for which the United States society has a strong predisposition, would not

³¹ The successful implementation of these principles is exemplified by the Roosevelt High School, Portland, where, despite the fact that eight one per cent of school leavers are bound for the labour market, the curriculum was designed for college bound students. A broad partnership of representatives of local industry, trade unions, Bureau of Labor and Industry, parents and school officials was formed. After identifying areas of economic growth a new curriculum aimed at skilling students for potential employment in the identified areas was designed and implemented (Ball 1996: 44).

necessarily be acceptable in cultures with a different concept of the welfare state, particularly for instance, the Scandinavian countries³².

According to another author (Siegel 2000: 228) changing social influences in the United States since the end of World War II, are reflected in the fact that society has become more individualistic, there is more emphasis placed on status and success and the importance of young people's participation in all levels of social life has escalated. Siegel (2000) draws on these cultural elements to explain the successful way in which older workers have adapted to the employment effects associated with the restructuring of the work force. He shows that older workers in the United States have recovered well from being displaced by the "slash and burn" practices of United States employers, despite the limited legislative or policy support. Relying on individualistic and entrepreneurial culture, they have created new and innovative forms of economic participation in society.

Writing from another perspective of the social effects associated with the endorsement of economic individualism during the 1980s, Craypo (1992: 301) suggests that this resulted in the loss of credibility of social movements, with deleterious effects for trade unions. This analysis is supported by O'Brien (1994), who identifies a relationship between dualised labour policy established under the Democrat New Deal legislation and emerging tensions between collective bargaining and individual rights. She argues that later Republican Administrations used this opportunity to divide the liberal community. Endorsement by liberal Democrats of legislation supporting individual rights represented by agencies like the Occupational Safety and Health Agency and the

³² By comparison, in Denmark, the social norm is that unemployed persons receive substantial financial support amounting to ninety per cent of their twelve-week's wage during the first year of unemployment. Welfare reform implemented in 1994 now obliges unemployed persons to take part in an activation program. Since further reform in 1999 persons unemployed for more than one year are activated, which means they must participate in a training program or accept an offer of employment, and if they have not obtained employment after another three years of unemployment their benefit will be reduced to the level of a pension (Madsen 2000: 4). See Chapter 7, page 263 for a full discussion of Danish labour market policies.

Environmental Protection Agency limited the capacity of the collective bargaining process to regulate employment. Furthermore, according to O'Brien (1994) the possibility for social movements to be agents of social change was restricted by the tendency within the broader society to rely solely on the state to act as social regulator.

The issues raised in this section will be given much deeper attention in the succeeding chapter, where it will be possible to explore the role played by the major parties in the employment contract in adjusting to the stimuli that have induced many of the developments discussed above. The focus of the analysis will be narrowed to one specific industry, in which the effects of the increased flows of goods, capital and technology are most apparent. In this way, it will be possible to examine more closely the manner in which pressures created by the impact of economic globalisation have been absorbed in this nation, and secondly, to identify some of the more striking labour market outcomes they have produced.

Conclusion

In this chapter, the major components of the political, economic and industrial structure and their impact on the institutional development of United States labour market policy and practice, have been detailed. The employment system has been examined in its historical context, before conducting a careful survey of contemporary policy developments, which have shaped the formal and informal aspects of these arrangements. In such an examination of policy and institutional reform it is noted that the United States has achieved remarkable success in broad labour market measures, estimated according to rates of participation, unemployment and labour force increase. The same labour market has also been responsible for generating a disproportionately high percentage of low-wage jobs and rising levels of income disparity.

Another thing that this chapter has demonstrated is how different is the trajectory pursued by the United States from that of continental European countries. The principles of economic liberalism, which are so central to United States society³³, have imbued the industrial relations system with a number of characteristics, which set it apart from other OECD countries, particularly those of continental Europe. Unlike many other industrialised economies, workers rights in the United States are determined by common law rather than by labour legislation, and the state is commonly seen as having an arbitrary rather than a regulatory role in industrial relations. Similarly, a culture of individualism, which emphasises personal and property rights, is reflected in the strong employer opposition to labour organisations and the marginal role of trade unions in both the employment and political sphere. This is in marked contrast to several of the Western European countries, particularly the Nordic nations, where social policies are formulated and implemented by the state in consultation with representatives of management and labour. In addition, strong social norms and cultural values impact on the perception of the causes of unemployment and its individual and social consequences. In many ways, the reliance of the United States government on market solutions to labour market problems most strongly characterises the differences between the United States and continental European approach.

At the same time as United States citizens would not abide the high levels of unemployment that persist in Europe, the increase in earnings inequality that has outstripped other OECD countries would be far less acceptable in Europe. For similar reasons, many other OECD countries, faced with similar economic pressures and consequent labour market imbalances, have resisted the widening wage distribution that has been produced by the decentralised wage

³³ Storper and Salais (1997: 177) for example, write that the two strongest aspects of American industrial practice, viz. science and secondly, the unique capacity for mass production and very professional mass marketing and services, or the Intellectual World and the Industrial World, “give way to the deepest convention of American economic life, that of the Market World”.

bargaining system in the United States. They have opposed broadening wage differentials, because it could have a negative affect on income distribution or social cohesion (OECD 1998d: 17). At the same time however, this wage system, which has produced both wage flexibility and wage disparity, is also associated with low cyclical and structural unemployment and comparatively low rates of long-term unemployment, both of which are widely admired.

Analysis of structural and policy reform has demonstrated that historical features, social institutions and cultural phenomenon have an intrinsic role in determining policy and institutional change. From this perspective, it is argued that such factors are equally as powerful as elected governments. While many of these features are intangible in themselves, they combine in such a way that it is possible to identify what makes one polity distinct from another. Furthermore, it is the interaction of these elements, and no doubt others, that determine national responses to global problems. Now that the key components of the United States approach to dealing with labour market problems have been outlined, it will be the task of the next chapter to explore with some definition the outcomes this process has produced in one selected industry.

Chapter 4

A Case Study of Tourism and Hospitality in the United States Dual Labour Market

Introduction

The previous chapter began by presenting a broad outline of the institutional arrangements within which all the major policy areas related to the functioning of the United States labour market have been adjusted. It examined changes to policy and institutional settings that have occurred during recent decades when the level of exchange in goods and capital has escalated and new patterns of production and consumption have emerged. It was noted in the preceding chapter that the United States has been successful in creating high levels of employment and rising labour force participation rates, while maintaining low unemployment levels. From many points of view, it has adapted to the impact of global economic restructuring with less difficulty than many other countries, particularly the larger European states that have been unable to reduce unemployment below 10 per cent during the past thirty years. For these reasons, many governments in OECD countries that have deregulated their labour markets to make them more flexible have modelled their reforms on the employment practices pursued in the United States. Multi-lateral organisations, particularly the OECD, have consistently promoted the United States model as

one that has effectively dealt with the imbalances that are associated with contemporary labour markets.

The flexibility of the United States labour market has been accompanied by increased participation rates, particularly of women, lower levels of unemployment, a wide range of non-standard employment arrangements and increasing wage disparity. In the face of the dramatic transition arising from intensified competition at home and abroad, technological innovations, shifts in consumption patterns, deregulation of some key industries and major demographic changes (Kassalow 1992: 133), employment has been generated in both low-skilled and high-skilled occupations. The more educated, more skilled workers have accrued higher benefits however, despite the fact that employment gains were distributed across all age, race and sex sectors (Pidgeon and Wray 1999). This occurred because employment growth was strongest in occupations that pay above average salaries (OECD 1996b: 85). Despite the U.S. Department of Labor's estimation that this trend will continue, the majority of the labour force is employed in low-skilled jobs with the result that the United States has a higher proportion of low-paid jobs by comparison with other OECD countries (Moore 1999: 46). Many of these jobs are white-collar low-skilled jobs in service sector occupations, which have absorbed the large influx of job seekers, predominantly females in the past three decades.

In this case study, some of these employment trends will be explored in greater depth for the purpose of examining more definitively how the United States labour market has been affected by the transformation occurring in the global economic environment. Secondly, an investigation of the manner in which the relevant government, business and labour authorities have adjusted their practices in response to these developments will be undertaken. The underlying aim of this analysis is to identify the predominant factors at work in this process, by raising such questions as: How does this labour market differ from those of other industrialised market economies experiencing similar pressures? How is the way that government, employers and trade unions are

adapting their policies different from what is happening in the same industry in other countries, particularly Italy and Denmark? How can these disparities be explained, when each OECD country is responding to very similar global economic demands and to the somewhat generic solutions to identifiable labour market problems recommended by multi-lateral organisations? Each of the three case studies in this thesis will address similar questions in such a way as to shed light on the reasons why distinctive national practices persist despite common internationalising tendencies.

In this light, an important consideration is the extent to which different political parties alter the long-term consequences of policy shifts pursued by incumbent governments and those that supersede them. In each of the three countries studied in this thesis, different parties replaced those in government at the time this research began. The question that might then be asked is: How much fundamental change can be expected in the policy outcomes of each nation? Will Denmark and Italy eventually resemble one another more closely because governments with more conservative tendencies have been elected in each case? One of the central tenets of this argument is that there are much deeper forces at work than political parties and policies, and so it is highly unlikely that Italy will become more like Denmark or vice versa. Policies certainly change when new governments come to power. What is demonstrated in this thesis, however is that underlying these changes are the pervasive influences of deeply ingrained traditions and customs that ultimately engender sustained, long-term effects.

In this chapter, a closer analysis of the United States labour market will be undertaken with the aim of identifying the most significant trends affecting employment in one industry that has been selected specifically because of its exposure to transnational forces. Labour market developments in the tourism and hospitality industry are discussed within the broader employment context, in order to illustrate the industry specific manifestation of more general patterns. This will provide the background for an examination of some of the strategies

adopted by local authorities, employers and labour unions to address contemporary labour market problems in this sector. This case study uses a large number of primary and secondary sources and incorporates empirical data obtained using qualitative research methods. Direct communication with those involved in the industry has the cumulative advantage of drawing from their insights and experience.

Two cities have been selected for empirical analysis because they are among the most popular destinations for local and international tourists and consequently, generate a significant share of employment growth in the tourism and hospitality industry. While these two cities, Washington, D.C. and San Francisco, portray quite different elements of the employment issues in this sector, no attempt is made to argue that together they uniformly represent the industries concerned. Every effort has been undertaken however, to identify the most striking characteristics of recent developments, as firms and workers in this sector have adapted to the pressures of economic globalisation. These two cities were selected for this case study because they offer what could be described as mainstream tourist attractions and are arguably more representative of the United States tourism and hospitality labour market than for example the very popular, but distinctive tourist destinations of Las Vegas or the Grand Canyon. For the purposes of this case study, the terminology used in collecting national data is used, i.e. lodging and eating and drinking places describes employment in hotels and restaurants, or the hospitality industry in general.

As mentioned in the previous chapter, empirical data used in this case study was obtained well before the events of September 11th, 2001 severely reduced travel to these cities and the subsequent demand for hotel and restaurant services. Like other tourist destinations throughout the country, they will undoubtedly experience a relative share in the widespread losses across the travel industry arising from the fact that revenue of airline companies in the United States is expected to fall by more than \$7 billion in the next twelve months (Economist.com 2001c). While these and other recent developments in

the global tourism industry have not been incorporated into the case studies in this thesis, they emphasise the argument introduced in the introduction, i.e. that this industry is extremely vulnerable to events affecting the international political economy. Trends affecting labour market developments in this industry constitute the first part of this chapter.

Labour Market Trends in the Tourism and Hospitality Industry

Among the most striking features of the contemporary United States labour market is its capacity to maintain a comparatively high employment rate and to generate jobs in both high and low-skilled sectors, at a rate whereby job gains have outstripped job losses¹. During the past three decades, the economy has absorbed the expanded labour force resulting from increases in the participation rate of women and in the total population (Appelbaum and Schettkat 1991: 138). Whereas, in the longer term, employment growth has predominated in the service producing industries and in jobs occupied by women (Easley 2000: 2, 3, 9), in the past decade, more employment growth has occurred in higher paying occupations (OECD 1996b: 72; Worsham 1996: 18). Consequently, the labour market position of high-skilled workers has been strengthened.

The U.S. Department of Labor forecasts that employment generation prior to 2008 will be strongest in professional occupations. It is conceivable then, that the current labour market structure in which 63 per cent of total employment is in low-skilled employment compared to 37 per cent in high-skilled employment (OECD 1998c: 12) will gradually be transformed. It is projected, for example, that two thirds of new jobs created will be for educators, computer technology specialists and health care workers (Bowman 1999), a substantial percentage of which will require an Associate's degree or higher degree (U.S. Department of Labor 2000: 2). These trends are reflected in the industry under examination in this case study. For instance, employment growth

¹ Between 1991 and 1996, 15.5 million jobs were created annually, and 14 million other jobs were shed (Worsham 1996: 18).

in the hospitality, travel and tourism industry, which is expected to increase in excess of 21 per cent by 2006, will be in highly skilled occupations. Executive positions are predicted to grow by 29.3 per cent, compared to overall employment growth of 14.8 per cent (Travel Industry Association of America 2000a: 8).

High-skilled and low-skilled job growth in tourism and hospitality

The tourism and hospitality sector is an important source of growth, since more than half of the top twenty occupations with projected employment growth by 2005 are closely allied to the hospitality industry, with food service and lodging managers at the top of the list in this range (Woods 1997: 13). The eating and drinking places industry, which was the fastest growing of all service sector industries between 1979 and 1990² (U.S. Department of Labor 1992: 37, 45) is currently ranked in third place after health services and business services as the strongest sources of private sector employment (Grindy 1998a: 41). In the two regions examined in this case study a thriving tourism and hospitality industry generates a considerable number of jobs. In the San Francisco County, for instance, it is anticipated that between 1995 and 2002, employment will increase by 10.2 per cent in the eating and drinking places industry and by 9.8 per cent in the hotels and other lodging places industry (San Francisco County 2000).

The tourism and hospitality industry, which has a long-term reputation for creating low paying service employment (Travel Industry Association of America Foundation 1996: 2) absorbs a large percentage of the low-skilled jobs in the general labour market. In fact, the majority of positions in this industry are in low-skilled service occupations, in which unskilled, poorly educated workers, including African American or immigrant workers are disproportionately represented in the lowest occupations (Woods, Heck, and

² As a share of total employment, employment in eating and drinking places and hotels grew at a compound annual rate of 3.7 per cent between 1979 and 1987 (Appelbaum and Schettkat 1991: 144).

Sciarini 1998: 24). See table 3. Given the labour intensive nature of this industry, it is estimated that by 2005 the proportion of workers in the eating and drinking places industry who will still be employed in low-skilled service occupations, mainly in food preparation and food service will be 83 per cent (U.S. Department of Labor 1992: 37). Currently, in the District of Colombia, janitors and cleaners positions, many of which are in the hospitality and tourism sector are the occupations in highest demand, with an annual percentage increase of 21.76 per cent (Department of Employment Services 1996: 3).

Table 3 Occupational segmentation by ethnicity in the U.S. lodging industry 1996-97

	LINE-LEVEL EMPLOYEES (%)	SUPERVISORY EMPLOYEES (%)	MANAGERIAL EMPLOYEES (%)	COMPOSITION OF U.S. POPULATION
Asian	7.5	5.3	4.3	3.6*
Pacific Islander	1.7	0.8	0.7	
Black, not of Hispanic origin	22.3	23.6	8.6	12.1
Hispanic	23.9	13.1	7.0	11.1
American Indian or Alaskan	0.9	0.8	0.2	0.7
White, not of Hispanic origin	45.6	53.9	75.8	72.5
Female	58.3	50.0	43.8	

*includes Asian and Pacific Islander

Source: (Woods, Heck, and Sciarini 1998: 24)

Entry-level positions in this industry have provided a ready source of employment for the consistent flow of legal and illegal immigrants, mainly from South and Central America. Their inability to speak English as well as, in many cases their status as undocumented workers, means that newly arrived migrants are willing to accept low paying back-of-the-house positions that require little or no English language skills³. These jobs have traditionally been held by African American workers, who hold a substantial percentage of line-level positions in the lodging industry, relative to the overall population. See table 1, page 71. It is estimated however, that Hispanic workers will outnumber black workers by

³ Castro, Manuel 2000, pers. comm., July 12th, 2000. This fact is also represented in recent research by PKF Consulting (1996: 2).

the year 2008. Since undocumented immigrant workers are not represented in statistical data, as they are working outside the official employment structure, it is difficult to gauge the extent of this phenomenon. It has been estimated however, that millions of jobs are held by undocumented immigrants working for cash wages that are below the legal minimum wage⁴.

High incidence of non-standard employment in tourism and hospitality occupations

Another important characteristic of the tourism and hospitality industry is the incidence of non-standard employment it generates, largely because of high levels of fluctuation in demand arising from its structural and seasonal nature. This is a common feature of employment in this sector in all industrialised market economies, in the same manner as is illegal employment discussed above. As part of the broader service sector, this sector is amongst those fast growing industries with a higher share of part-time employment (Appelbaum and Schettkat 1991: 153), which is the most prevalent form of non-standard employment in tourism and hospitality (Kalleberg et al. 1997: 11). For instance, between the 1940s and the 1980s, services moved from its position as the sixth strongest growing industry to the first, following second after retail amongst industries with the biggest share of employees working part-time (Fallick 1999, March: 26). While the share of non-standard employment in the United States labour market is relatively low by OECD standards (Barrell 1996: 82), it is estimated (Capelli 1999) that during the past two decades, non-standard employment has grown at a faster rate than total employment. The percentage of employers who use contingent workers is reported (Houseman 1997) as 78 per cent verifying the claim (Morishima and Feuille 2000: 13) that non-standard

⁴ Undocumented immigrant workers find employment in non-unionised restaurants or fast food establishments that pay low-wages and do not provide employment benefits. It is argued that because employers have a labour need, they use the illegal status of employees to exploit them (Cuellar, Chitto 2000 pers. comm., July 12th).

employment arrangements are an increasingly significant element of contemporary human resource practices.

A range of disadvantages has been identified within the current policy environment for employees in non-standard employment in low-wage occupations and industries, in which non-white men and women of every race and ethnic background are over-represented. Apart from a small percentage of part-time positions that are covered under a union contract or by programs initiated by specific companies⁵ (Sammons and Petrillose 1999: 18), non-standard jobs do not provide sick and holiday pay, health insurance and retirement pensions. This does not augur well for the vast majority of non-standard workers, of which only 9.6 per cent are covered by a collective agreement (Kalleberg et al. 1997: 49). Consequently, there is a very limited likelihood of employees in non-standard jobs receiving employer funded health insurance or pension payments. Statistically, only 22.8 per cent of female and 16 per cent of male non-standard workers receive either health insurance or pensions funded by their employer, compared to 79.9 per cent and 80.1 per cent of female and male standard workers, respectively (Kalleberg et al. 1997: 16). In this aspect, the employment conditions of non-standard workers in this country are very different from those in Denmark and Italy, where collective agreements cover a large percentage of non-standard, particularly part-time workers. In addition, publicly funded health, education and welfare services provide broad social insurance against the income insecurity associated with non-standard employment. The situation of non-standard employees in the U.S. is compounded by the fact that under the current system of worksite based unionisation, temporary and contract workers have difficulty joining an existing collective bargaining unit or forming a new one (OECD 1998e: 7).

⁵ In some cases pro-rata medical and dental benefits are provided in non-union establishments for employees working between 20 and 40 hours a week, and in other cases, after twelve months a part-time employee is eligible to full-time medical benefits. In both instances, the companies cited, DuPont and NationsBank Corp. are large enterprises, not operating in the hospitality industry (Sammons and Petrillose 1999: 18).

Studies on the employment effects of non-standard jobs (Ferber, O'Farrell, and Allen 1991; Kalleberg et al. 1997: 1; OECD 1998e: 6) indicate that they provide less employment security⁶ and opportunities for career advancement than standard jobs. The reduced access to employment benefits and career advancement and the fact that part-time jobs are concentrated in certain occupations has led one author (VandenHeuvel 1998: 32) to suggest that this limits their appeal as a long-term employment option. Financial considerations affect such choices. Black women, for instance, have less attachment to part-time employment than white women, possibly because of financial reasons (VandenHeuvel 1998; Wallace 1980) arising from the fact that their remuneration rates are lower or in the case of partnered women, the income of their spouse is lower⁷. The small percentage of workers employed under a union contract are in a unique situation, and choose to stay long term in the industry in order to take advantage of seniority benefits and promotional opportunities that accrue as their tenure increases⁸.

Earnings differentials, which are an uncompromising aspect of the general labour market, are quite significant in the tourism and hospitality industry, in which a large percentage of workers are employed in non-supervisory positions. For example, 9 out of 10 employees in the eating and drinking places industry, in 1990, were non-supervisory workers (U.S. Department of Labor 1992: 46). While real adjusted income has reportedly risen for the most skilled and educated salary earners, real hourly wages for employees in production and non-supervisory positions declined by 13 per cent between the mid 1970s and mid 1990s (U.S. Council of Economic Advisors

⁶ Employment insecurity is defined according to whether a job is temporary, is of uncertain duration, will last for one year or less or whether either of the first two issues are unclear. Using this criteria, Kalleberg et al (1997: 39) claim that 9.8 per cent of all women and 8.5 per cent of all men workers are employed in jobs of limited duration, and all types of non-standard employment are more likely than regular, full-time jobs to be of limited duration.

⁷ VandenHeuvel (1998: 31) reports that the mean income of the white spouses in this 1986 study was \$9,282 and for black spouses it was \$5,421.

⁸ "Danny" and "Mike" 2000, pers.comm., July 13th.

1996). During this period, when the real minimum wage fell by 30 per cent (Moore 1999: 51) earnings inequality increased substantially⁹ (Freeman 1996: 71; Freeman and Katz 1994). The wage gap has widened according to education, skills and ethnicity, while the existing gender wage differential has in fact narrowed since 1973 (Abelda 1997: 276; U.S. Department of Labor 2000: 7).

The over-representation of female employees in low-paid occupations, in sectors including tourism and hospitality, is responsible for the existing gender wage differential. In 1990, 56 per cent of employees in the eating and drinking places industry were women (U.S. Department of Labor 1992: 46), and 55 per cent of employees were female in the lodging industry in 1989 (U.S. Department of Labor 1990: 32). Occupational segmentation in the hospitality industry is represented by the fact that women across all racial groupings are disproportionately under represented in managerial positions and over represented in line-level positions (Woods, Heck, and Sciarini 1998: 24). In restaurants, lounges and social and commercial cafeterias, for example, between 65 and 70 per cent of staff employed as wait staff, kitchen workers, supervisors and food counter workers are women (Nevada Hospitality 1998: 33).

The wage impact of gender and occupational segmentation has been accentuated by declining weekly wages, with the consequence that low-income earners are arguably (Blank 1997a: 54) unable to avoid poverty in the current economic environment. For this reason, it is quite common for low-wage workers including hotel and restaurant workers to work long hours in multiple jobs (Lauritsen 1999; OECD 1996b: 80). While they may take advantage of the availability of the comparatively high proportion of low-skilled jobs, their financial situation improves very little because the income from working extra

⁹ Between the mid 1970s and the mid 1990s, real incomes for employees at the 90th percentile increased 22 per cent. Incomes for those at the 50th percentile increased 5 per cent and for employees at the 10th percentile, earnings fell 21 per cent (Karoly 1996). Wages of low-skilled men have fallen by 20 per cent, and for low-skilled women by 6 per cent in the past 15 years (Blank 1997a: 60, 61).

hours is absorbed by falling wages. These and numerous other factors are responsible for the fact that the United States has the highest incidence and the highest intensity of poverty, according to data from the Luxembourg Income Study¹⁰ (OECD 1994a: 17).

While wages have risen in the tourism and hospitality sector in the past ten years¹¹ increases have been taken up by workers at the higher end of the income scale. Salary increases for corporate executives in the hospitality sector and for those employed in the high paying transportation sectors account for a large proportion of the growth. For instance, wages of corporate executives, which are relatively high, are increasing at a rate of 3.9 per cent, slightly higher than the inflation rate of 3 per cent¹² (Kergen and Mahoney-Browning 1998: 74). Such wage rises have not been matched by significant wage increases for line-level employees. Hourly wages of low-wage unionised employees are generally higher than for non-unionised employees, although this small sample of occupations in the San Francisco hospitality industry shows that this is the case only for the lowest paid employees. See table 4. In the case of baggage porters and bellhops, for whom a large percentage of their earnings is generated by tips, union workers receive a similar hourly rate as non-union workers plus an additional service fee, per piece of luggage.

¹⁰ This study uses low income rates and average low income gaps using three different low income levels, at 40, 50 and 60 per cent of the median income. The incidence of poverty is measured by the per cent of families of each type whose adjusted disposable income is below a certain percentage of the median adjusted income. The intensity of poverty is measured by the difference between average low income and the low income line, as a percentage of that line (OECD 1994a: 18).

¹¹ Average hourly earnings in this sector increased by 52.5 per cent, by comparison with an increase of 37.8 per cent in the average hourly wage of all private employees (Travel Industry Association of America Foundation 1996: 3).

¹² The average salary for hotel general managers was between \$37,000 and \$83,000 per year in 1992 (Travel Industry Association of America Foundation 1996: 4). In 1995, the average

Table 4 Union and non-union hourly wages of selected occupations in San Francisco

OCCUPATION	HOURLY WAGES, NON-UNION			HOURLY WAGES, UNION		
	Low	High	Median	Low	High	Median
Maids and Housekeepers*						
new hires, no experience	6.00	13.43	7.00	9.37	9.99	9.38
new hires, experienced	6.00	7.25	13.43	9.00	13.00	12.49
three years with firm	8.00	13.43	9.38	11.91	14.50	12.49
Baggage Porters and Bellhops**+						
new hires, no experience	5.75	8.00	6.00	5.75	6.63	6.20
new hires, experienced	5.75	8.00	7.51	6.00	6.63	6.25
three years with firm	5.75	8.75	7.51	6.00	7.63	6.30
Lodging Managers***						
new hires, no experience	(1)			(2)		
new hires, experienced	7.25	38.25	14.38			
three years with firm	9.25	43.50	16.65			

* wage rates Fall 1999, **wage rates Fall 1998, ***wage rates Fall 1997

+ non-union Bellhops earn between \$5.63 and \$8.65 plus tips and non-union baggage porters earn an average of \$5.80 plus tips, which can range from \$20-\$200/day. Union Bellhops receive \$1.55-\$1.95 per piece of baggage service fee for large groups, and their hourly wage plus tips.

(1) No data available for this category because of the small number of respondents that hire at this level;

(2) No data available because less than 30 per cent of responses were from union establishments.

Sources: (Private Industry Council of San Francisco Inc 1997; Private Industry Council of San Francisco Inc 1998; Private Industry Council of San Francisco Inc 1999)

Deterioration in the position of low-income workers

Throughout the course of this analysis of labour market trends in the tourism and hospitality industry, the presence of racial disparities, which is an intractable aspect of the general labour market, has been noted. In this respect, since unemployment rates fall relative to the level of education and skill, they are highest amongst the African American population, where income and skill levels are lowest. The least educated workers particularly black males have the highest rates of joblessness¹³ (Pryor and Schaffer 1999: 10) and even though there is little race related dispersion between men with similar levels of

base salary for a general manager was \$66,464,41, and in 1998, it had increased to \$77,950.05 (Kergen and Mahoney-Browning 1998: 74).

¹³ In the twenty-five years prior to 1995, the jobless rate for white men rose from 11.9 per cent to 25.5 per cent and for black men it rose from 17.0 per cent to 30.7 per cent. In the same period, the jobless rate for white men with a high school diploma rose by 6.1 per cent, and for the similar group of black men it rose by 8.7 per cent (Pryor and Schaffer 1999: 10).

education, black women have fared less well, compared to white women¹⁴. Whereas the unemployment rate is 3 per cent for college educated persons, it is 15 per cent among persons with less than a high school education, and 20 per cent among black persons with less than a high school education (Blank 1997a: 58). Consequently, it is not surprising that the labour market position of low income and unemployed workers has deteriorated in recent decades, represented by an increase in the duration of unemployment periods (Schmidt and Svorny 1998: 662), and as mentioned earlier, a decline in real wages. In the case of young unskilled workers, unemployment rates are higher (Office of Policy and Programs 2000: 1) and there is a greater incidence of involuntary job loss amongst younger workers (Schmidt and Svorny 1998: 648).

Strengths and weaknesses of the contemporary labour market

During recent decades of rapid employment growth, the United States has maintained a high and rising employment rate, a high proportion of full-time jobs and low levels of structural unemployment. Renowned for its flexibility, the labour market registers comparatively low rates of job tenure as well as high rates of job turnover, occupational mobility and internal migration (Barrell 1996). While there are proportionately more low-paid jobs than in similar market economies, it is argued (Moore 1999) that this is a reflection of the productivity levels of less educated and less skilled workers at the lower end of the labour market. Some disconcerting trends that have emerged during this period are that earnings inequality has increased at a greater rate than in other OECD countries and the position of low-skilled workers has deteriorated. These trends are in marked contrast to those in Italy and in Denmark, since

¹⁴ For the twenty four years prior to 1995, the jobless rate for black women with a high school diploma increased by 0.4 per cent, but fell by 25.5 per cent for white women with the same qualifications. Similarly, joblessness of black women with less than a high school diploma increased from 52.0 per cent to 57.6 per cent and fell from 60.5 per cent to 51.2 per cent for white women with the same level of education. (Pryor and Schaffer 1999: 10).

income dispersion declined in both of these nations during the 1980s¹⁵. Furthermore, the position of unskilled male and female Danish workers and those with the highest unemployment rate has not weakened relative to skilled workers as in other industrialised countries¹⁶.

One of the key characteristics of the United States labour market is its duality, which is illustrated strongly in the industry being examined in this case study. This analysis of the tourism and hospitality industry indicates that the binary nature of the labour market has become more pronounced. Some indicators of this proposition include the fact that both employment and earnings have increased at a greater rate in high-skilled positions, thereby advantaging those workers with occupational qualifications. While employment has also increased in low-skilled occupations, earnings have declined. As a consequence, a higher percentage of workers in non-standard employment arrangements now hold multiple jobs, the increase registering amongst women, with more than one part-time job (OECD 1996b: 80). As has been outlined above, non-standard employment arrangements do not provide employer funded health insurance, pension payment or other employment benefits including sick and holiday pay. Consequently, a large percentage of employees in the tourism and hospitality industry, are amongst the most vulnerable of all workers. Their conditions of employment are minimal and their job security is dependent on a very volatile market.

As is observed in the other case studies of Italy and Denmark, regulations governing employment both formal and informal institutions have a decisive role in shaping contemporary labour market developments. In this case study, the most striking trends, viz. low unemployment, strong employment growth, high employment rates, high proportion of low-paid employment and

¹⁵ See Chapters 6, page 187 and 7, page 249 for reference to declining inequality in earnings in Italy and Denmark respectively.

¹⁶ See Chapter 7, page 242 for reference to the relative position of unskilled workers in Denmark.

widening wage disparity are all linked to an employment system that has minimal regulations and limited social security provisions. The reform that it has undergone in recent decades, as detailed in the previous chapter has no doubt influenced the outcomes analysed here. In addition to these policy shifts, local authorities, employers and labour unions have responded to contemporary employment issues. Some of the strategies adopted by the relevant parties involved in the tourism and hospitality sector will be examined here, after a short discussion on the trends affecting the industry itself.

The United States Tourism and Hospitality Industry

In order to give some indication of the essential characteristics of the tourism and hospitality industry and the employment relations issues associated with current developments, a short discussion will introduce its most significant aspects. Particular reference will be made to the two cities examined in this case study, i.e. Washington, D.C. and San Francisco. As the largest exporter of services and the third largest retail sales industry in the United States (Travel Industry Association of America Foundation 1996: 1), the tourism and hospitality sector has gained increased popularity amongst international tourists¹⁷. Currently, the United States is the third most popular tourist destination, after France and Spain, and the biggest earner of tourism income, by far (Travel Industry Association of America 2000c).

California is the most visited state amongst domestic tourists, and the state in which the highest level of international and domestic expenditure is made (Travel Industry Association of America 2000b). San Francisco has a booming commercial and tourist trade, which attracts 150,000 tourists a day and generates a daily average revenue of \$17 million, according to John T. Self, Associate Professor and Chair, Hotel, Restaurant and Tourism Management Department, Golden Gate University (pers. comm., July 13th 2000). A

¹⁷ In 1998, 46.4 million international travellers visited the United States and domestic travel grew by 4 per cent (Travel Industry Association of America 2000a: 4).

considerable amount of revenue is due to business travellers visiting the commercial enterprises in and near the city¹⁸. With world-class universities of Stanford and Berkeley, a convention market that operates at full capacity and cultural and recreational attractions, San Francisco has the world's seventh busiest airport (Elginemy 1997: 53).

On the opposite side of the country, in the small district of Washington, D.C., the level of travel expenditures by domestic and international travellers has expanded considerably due to the growing rate of business travel, which now accounts for 22 per cent of all domestic travel (Travel Industry Association of America 2000a: 5). As the nation's capital and centre for thousands of business and trade associations, the District of Columbia provides numerous cultural attractions, including the Mall of America, which is at the vanguard of the "urban tourism explosion" (Ecklein 1999: 150). Also renowned as a "convention city" Washington does not experience the same seasonal shifts in business and the consequent fall in labour demand common in many other popular tourist destinations¹⁹.

The strength of the San Francisco and Washington, D.C. labour markets is reflected in low rates of unemployment, which are equal to or below the national average. In San Francisco County, the seasonally adjusted unemployment rate was a remarkably low rate of 3.2 per cent in July 2000 (State of California 2000), while in the District of Columbia, where it has also fallen, it was 5.4 per cent in August 2000 (Office of Communications 2000: 1). National trends affecting increased productivity and output in the lodging industry and the eating and drinking places industry have had a flow on affect in

¹⁸ Twenty-four of the nation's leading Fortune 500 companies are based in the city, which is situated in close proximity to Silicon Valley, centre of the world's high tech industry. Every week new dot-com companies are established in the commercial district. (Self, John T. 2000 pers. comm., July 13th).

¹⁹ Thomas, Connie 2000, pers. comm., July 3rd.

these two regions, represented by small increases in employment²⁰ (Grindy 1997: 40; U.S. Department of Labor 1992: 43). In addition, a number of changes in the industry have impacted on its operational and employment practices. Two of the more significant catalysts for these changes that were noted in interviews with employers, employees and their relevant associations are the intensified use of technology and the expansion of high quality hotels.

Employment effects of technological change

Because of technological innovation, the training and skills of employees in the tourism and hospitality sector have been upgraded, leading to a reduction in labour requirements in some areas and labour increases in others (U.S. Department of Labor 1990: 27). Many tasks have been re-organised and redistributed in order to increase job quality and control and reduce labour turnover and absenteeism (U.S. Department of Labor 1990: 31). Using new technologies to improve productivity and reduce labour costs, firms in the eating and drinking places industry, have computerised operations and simplified menus. Decrease in the demand for labour has resulted from a reduction in administrative positions caused by the “internet explosion”²¹ and a lowering in the guest-employee ratio in the lodging industry (Su 1998: 2).

As noted earlier in this chapter, salary rates have increased in some occupations that require increased levels of education and skill, including corporate executives. At the same time, technological biased changes in the structure of other occupations have resulted in declining wages. For instance, bell persons interviewed at a Class A Hotel in San Francisco reported that their tipped income had fallen from an average of \$100.00 to \$35.00 a day during the past ten years, since they are now required to handle less luggage. Business

²⁰ In Washington, employment in the eating and drinking places industry grew by 0.4 per cent in 1997 (Grindy 1998b: 40).

²¹ The use of new communication technologies has resulted in a large percentage of hotel reservations being handled by email (Thomas, Connie 2000, pers. comm., July 3rd).

travellers, in particular, prefer to transport their own belongings including personal computers and associated technology in the new forms of mobile luggage that are now available. In addition, these travellers require an increased range of services from hotels at the high end of the market.

Increased demand for high quality service and facilities

The general growth in demand for accommodation that has occurred in San Francisco and Washington, D.C. has resulted in the construction of a range of new luxury and boutique hotels and the upgrading of existing historic and contemporary hotels. In San Francisco, where demand is outpacing construction, both the occupancy rate and the average daily room rate are well above the national average and increasing (PKF Consulting 2000: 3). Similar developments are occurring in the city of Washington, where both room rates and occupancy rates are rising (Deady 1998: 21). Changing demands of consumers are impacting on styles and standards. For instance, in Washington, new hotels financed by the large Washington based Marriott corporation provide luxury, full service accommodation, while Hospitality Partners who plan to build one or two hotels a year state that they are “not interested in developing limited service hotels” (Urell 1999: 29). The construction of upscale hotels is accompanied by a demand for “top-notch employees” (Terrero 2000: 13), across the range of occupations, since almost all positions in this industry are customer-service oriented. This consumer driven trend towards increased professionalism of staff in this industry is also observed in the tourism and hospitality industry in Italy and Denmark. In Venice, it is noted that services for the elite tourist dominate the market, while the actual expenses involved in visiting Denmark create higher expectations amongst travellers²².

While a number of the trends discussed here are reflected in other nations, the task of the remainder of this case study will be to examine the way

²² See Chapters 6, page 229 and 7, page 273 for a summary of the characteristics of the Venetian and Danish tourism markets.

in which the relevant stakeholders in the United States have responded to them. A broad discussion of the adaptation that has occurred as employers and labour unions have addressed contemporary labour issues will precede a closer examination of industry specific strategies they have adopted. Empirical analysis of relevant studies and documents as well as data obtained from interviews conducted in June and July 2000 in the cities of Washington, D.C. and San Francisco, forms the basis of this section. As noted earlier, this data does not reflect the impact of the events of September 11th, 2001 on the domestic tourism industry.

The influence of historical factors is evident in the way the approaches adopted by the respective parties engaged in addressing contemporary labour issues is reported in the discussion that follows. Since a good deal of the information obtained from interviews with union officials centres around current disputes, a tangible sense of urgency is reflected in their perspective of these issues. The methods of operation illustrated in this instance are in accordance with a long tradition of adversarial relations between labour and management.

The Role of Commercial Enterprises in Restructuring Employment Relations

Diverse styles of management have emerged in all industries in conjunction with occupational and workplace reorganisation that has resulted from the intensification of competition in global finance and goods markets, industrial restructuring and flexible technologies. In the same manner as management in other industrialised countries has responded to the comparative disadvantage resulting from low-wage costs in competitive markets, United States firms have pursued competitive advantage with the use of advanced technologies and a flexible labour force (Clarke, Bamber, and Russell 1998: 302; Kochan and Verma 1992: 198). In its analysis of the impact of new information technologies and new organisational styles on the work process, an influential OECD (1997e:

18) report suggests that it has facilitated an “historical redefinition of the management/labour relationship”

The ability to simultaneously assemble and separate labor on specific projects and tasks anywhere and anytime, laid the groundwork for the virtual enterprise as a functional entity. From then on, it was a matter of overcoming institutional resistance to this organisational logic. The extraordinary increase in flexibility and adaptability permitted by new technologies overcame the opposition of labor to the mobility of capital. Productivity and profitability were enhanced, yet labor lost institutional protection and became increasingly dependent on individual bargaining conditions in a constantly changing labor market.

Improving the efficiency of workplace practices during the economic, industrial and technological transformation of the 1980s and 1990s has resulted in the introduction of a range of different human resource strategies. In the course of this transition, it is argued (Lee 1997a: 175; Tilly 1997: 273) that employers raised their expectations for government assistance in reducing labour costs. Other commentators (Freedman and Fulmer 1982; Miller 1998: 237) suggest that management focussed more on wage moderation agreements in each enterprise or individual unit. By pursuing concession bargaining during this era, employers promoted pay reductions, decreased holidays and fringe benefits, and a lower scale of conditions for workers newly employed by the enterprise. Employment practices based on strictly defined job classifications and seniority rights, which were supported by traditional industrial relations customs, were arguably (Clarke, Bamber, and Russell 1998: 302) undermined as one element of management’s opposition to union influence. Clarke et al suggest that this strategy reflected employer dissatisfaction with the fact that unionised sectors have higher pay levels than workers in parallel non-unionised sectors.

Unlike many European countries, where firms are obliged to provide re-training advice and opportunities for redundant workers²³, there is no

²³ Canada and most European countries introduced legislation much earlier than the 1988 *Worker Adjustment and Retraining Notification Act* which required firms to give 60 days advance notice of plant closure and lay-offs, but included no provision for severance pay or re-training advice and opportunities similar to the European legislation (Ehrenberg and Smith

requirement for management to offer re-skilling or job replacement support, for the hundreds of thousands of displaced U.S. workers. The 1988 *Worker Adjustment and Retraining Notification Act* requires firms to give 60 days advance notice of plant closure and lay-offs, but there are no public policies designed to provide long-term financial or benefit assistance (Siegel 2000: 234). One reason why the aforementioned Act was supported, according to Ehrenberg (1997: 578) is that it allows workers the option of preventing plant closure by offering to accept wage cuts.

Comparing management styles in the United States with those in Germany and Japan, Dore (1997: 266) argues that United States firms operating under pressure to increase shareholder value and ensure that earnings are maintained above market expectations have engaged in severe cost cutting exercises. Since firms in other countries, including Germany and Japan are not so bound by the dominant form of Anglo-Saxon capitalism, they draw on the innovation and commitment of long-term employees. United States firms, on the other hand, use flexible wage rates and the absence of regulations concerning hiring and firing to adjust workforce requirements (Dore 1997: 267).

Strategic restructuring aimed at increasing the versatility of work organisation and production processes, which included making industrial relations and human resources practices more adaptable, has been influenced by the strategic choices of government, business and trade unions. Industrial relations analysts (Kochan, Katz, and Mckersie 1986; Parker and Slaughter 1988) have argued that human resource management practices adopted during the 1980s and 1990s, challenged the existing employment culture by placing greater emphasis on increasing productivity and product quality and flexibility. Industry specific strategies have been adopted in response to contemporary employment issues, as outlined in this section on challenges confronting firms in the tourism and hospitality industry.

1997: 579). According to Siegel (2000: 234) displaced workers used their own resources to

Employer Responses to Changing Trends in the Tourism and Hospitality Industry

An increase in demand for qualified, competent labour and above average rates of labour turnover, have been identified as the most serious concerns facing employers in the tourism and hospitality industry²⁴. Restaurant operators, in particular, nominated the hiring of qualified and motivated employees as their primary pre-occupation in 2000 (Foodservice Trends 2000: 38). Consequently, a range of strategies to reduce the rate of labour turnover and poor customer service has been introduced. Attempts to motivate and retain upper-level employees include increasing wages, fringe benefits, training and advancement opportunities (U.S. Department of Labor 1992: 45). Other strategies involve raising the value of benefits by a certain percentage each year, salary continuation plans, non-economic internal services as well as traditional qualified retirement plans²⁵ (Parise 1996: 8). Pension and insurance plans funded jointly by management and staff have been introduced in a number of establishments to promote retention (Woods 1997: 29). Incentives and bonuses that focus on rewarding employees for exceptional service (PKF Consulting 1996: 4) include employee recognition awards and reward programs including prizes and cash bonuses.

Most of the programs discussed thus far have been designed to retain upper-level staff. Some of the incentives to reduce turnover rates amongst hourly employees include the provision of child-care facilities, language classes and training under the welfare-to-work program (Sammons and Petrillose 1999:

gain access to retraining and re-employment in the emerging service sectors.

²⁴ In 1988, when the turnover rate was 18 per cent for all employees in the economy, turnover in hotels and motels affected 33 per cent of employees in the lodging industry. In the same year, the turnover rate for janitors, cleaners, bartenders and waiters was 25 to 34 per cent (U.S. Department of Labor 1990: 32).

²⁵ A recent study (Sammons and Shinnar 1999: 9) on the relationship between fringe benefits and employee satisfaction, shows that employees are more likely to be committed to the establishment when they receive economic compensation, in the form of wages and benefits and non-economic return in the form of services that respond to employees "needs and wants". In this case, they are also less likely to join a union.

17). In addition, flexible working schedules and increased hours for hourly employees have been introduced in the eating and drinking places industry (U.S. Department of Labor 1992: 44, 45, 46).

Training concepts, not previously a part of this industry, have also been incorporated into firms attempts to attract and retain skilled employees and to respond to the increased customer service demands discussed in the previous section. These new forms include training of older workers recruited during a period of labour shortage and training of management and staff according to the notion of life-long learning, thereby equipping them for a range of complex tasks (Sammons and Petrillose 1999: 17). Considerable resources have been invested in providing professional development for supervisors and managers (Woods 1997: 13), while management in the hotel and motel sector have prioritised efforts to raise the skill and education of line-level employees. In addition, an increase in training programs, designed to attract students who are representative of both the heterogeneous population and clientele has accompanied the boost in labour demand²⁶.

According to a recent study by the National Restaurant Association, the labour turnover problem has been acted on by more than half of the restaurant operators surveyed by hiring, or planning to hire former welfare recipients to fill the thousands of available jobs in the flourishing restaurant industry (Travel Industry Association of America 2000a: 21). Likewise, managers in hotels and motels have recruited a more diverse range of workers (Losyk 2000: 45). They have responded to the decline in the number of workers aged between 16 and 24 that has occurred during the 1980s by recruiting retired, displaced or handicapped workers (U.S. Department of Labor 1990: 33).

²⁶ A program of the National Academy Foundation, the Academy of Travel and Tourism reported in the 1998-99 school year, that the student population consisted of 39 per cent African Americans, 28 per cent Hispanic, 14 per cent Asian and the remaining 19 per cent were from white and other backgrounds (Travel Industry Association of America 2000a: 8).

The salary and employment incentives and new training opportunities described here reflect firms efforts to avoid organisational inefficiency and expenses associated with employee turnover and replacement²⁷. These strategies have been adopted in accordance with an individualised employment and salary structure, which enables both firms and employees to negotiate their way around particular issues. This practice occurs mainly in management and supervisory positions however, while line-level employees, who represent a much larger proportion of the workforce, have less access to personalised employment arrangements, including wage incentives. Consequently, despite the increased demand for labour, compensation rates for line-level employees in eating and drinking places and hotels and motels have remained low. The large percentage of non-standard and undocumented workers who hold low-wage positions do not have access to the minimum conditions, much less the incentive programs discussed here. On the other hand, the small percentage of workers covered by a union contract is in the advantageous position of earning higher wages and having access to employer funded benefits not available to the majority of minimum wage workers.

While the proportion of unionised workers is very small, the challenges confronting the modern labour movement in improving the wages and conditions of its constituents are considerable. In industrial relations literature (Towers 1997: 300), these pressures are linked to contemporary human resource management practices, the changing structure of the post-industrial labour force and the growth of non-unionism. Despite the historical and current obstacles that impede their effectiveness in organising and representing the contemporary labour force, unions have introduced a range of innovative strategies. They have done so within the constraints of formal and informal

²⁷ Whether or not these or other unrelated factors have precipitated significant changes, recent studies (PKF Consulting 1996: 3; Woods, Heck, and Sciarini 1998: 13) have indicated that turnover rates are falling in hotels, particularly amongst line-level employees in hotels of all sizes.

industrial relations institutions, declining membership and weakened bargaining power. Some of these issues and strategies are discussed below.

Trade Union Responses to the New Labour Environment

Amongst OECD countries, United States trade unions, which are organised on an enterprise basis, record comparatively low levels of union density. Furthermore, membership levels have declined in accord with the international trend during the latter part of the last century. Membership amongst public sector employees of 37.7 per cent is considerably higher than in the private sector, where it is 10.3 per cent (Miller 1998: 232). Union membership is highest amongst male workers of whom 16.1 per cent belong to a union compared to 11.4 per cent of women workers (Office of Policy and Programs 2000: 1). This trend affects certain industries in which female workers predominate, namely the lodging and eating and drinking places industry, where representation by unions or employee associations of 15 per cent is considerably lower than the national average (U.S. Department of Labor 1990: 34; U.S. Department of Labor 1992: 37).

The increase of traditionally unorganised occupations in the service sector, and the expansion of non-standard employment arrangements have been associated (Clarke, Bamber, and Russell 1998: 299) with unions' inability to substantially improve wages and conditions in the face of increasingly competitive product markets. The large share of part-time employees and the higher than average turnover rates impact on the organising success of the modern unions. According to some commentators (Wardell and Towers 1997: 258) changes to industrial relations institutions, in particular the collective bargaining system, have favoured employers and lessened the influence of trade unions.

Some analysts (Wheeler 2000: 106) argue that the position of labour in relation to management has been weakened by a legitimacy crisis arising from

the fact that the low levels of unemployment and inflation that have been produced in recent decades, are generally attributed to the laissez-faire economic policies that labour resists. Other commentators (Voos 1997) claim that the relevance of unions has increased in the contemporary employment situation, since the services provided by organised labour are now in greater demand. This view is reflected in the fact that 44 per cent of workers in 1997 stated that they would support a unionised workplace, compared to 39 per cent in 1996 and 30 per cent in 1984 (Voos 1997). Certain achievements that have been made in union-management negotiations have contributed to the perceived validity of union services. For example, negotiations regarding the introduction of new technologies have led to the incorporation of an advance notice clause in a number of agreements. In addition, job redistribution and training is available because of seniority and severance payments made to persons laid off because of automation (U.S. Department of Labor 1990: 34). Under the terms of other agreements, temporary workers who are registered with a union are hired for temporary positions before non-members.

The re-birth of the modern labour movement that corresponded with the election of new breed of AFL-CIO executives in October 1995, led by John Sweeney as President (Fraser and Freeman 1997: 6), has seen the introduction of new priorities aimed at enhancing the effectiveness and relevance of the labour movement. Aware of the challenges arising from the internationalisation of production and employment practices by multinational corporations, unions have moved their activities beyond national borders, conducting national and international corporate campaigns and forging active alliances with labour movements in other regions²⁸. Extending its sphere of influence on labour and

²⁸ Understood as a strategy using “non-traditional tactics in an attempt to pressure the firm to change its behavior” (Jarley and Maranto 1990) corporate campaigns are used to create a more conducive environment in which unions might operate (Wheeler 2000: 114). See Borgers’ (2000) account of the United Steelworkers of America’s international corporate campaign against Bridgestone-Firestone, the Communication Workers of America’s arrangement of a North Atlantic alliance with European communications unions and the Teamster’s campaign against the trucking provisions of the North American Free Trade Agreement.

social issues, labour has formed community based coalitions to organise political campaigns with like minded organisations (Turner 1997: 311; Voos 1997: 297; Wever 1998) and has sought representation in regional economic partnerships (Quan 2000: 3). New national priorities have generated strategies to increase rank-and-file education and militancy and broaden union activities beyond the traditional locus of improving the wages and conditions of existing members²⁹.

One trend that has emerged as employers and unions have attempted to respond to the challenges of the current era of global competition, is labour-management partnerships, which first developed in the global economic crisis of the 1970s. Such partnerships, which are a contemporary form of employee participation in workplace restructuring aimed at improving productivity and performance (Quan 2000: 3; Turner 1997: 309) are far more common in European countries with a tradition of social dialogue. These new patterns of employee participation have become associated with new models of post-Fordist production, in which management have adopted an “integrated approach to technology and human resource policy”, according to Kochan (1992: 194). Wage reductions and increased flexibility in the composition of job classifications have often been traded in return for improved job security guarantees, training and employee participation (Wheeler 1992: 27) in what Wever (1998: 392) defines as a somewhat unstable relationship resulting from management’s tacit resistance.

In defining new forms of employee participation, Turner (1997) suggests that they are either employer led or negotiated participation. The latter, involving co-operation between labour and management and active organising campaigns, has been at the forefront of trade union strategies to reverse the

²⁹ Voos (1997: 297) cites a number of campaigns organised by the contemporary labour movement, viz to raise the minimum wage, to successfully organise service employees in Las Vegas, to organise strawberry workers, who are predominantly Latino, and to represent public-assistance recipients in cases where they are obliged to undertake public service in return for benefits. See also Miller’s (1998: 240) description of corporate campaigns and Welsh’s (1997) essay on the new beginnings at the AFL-CIO.

decline in real wages and widening income dispersion³⁰. While employees have expressed their preference for co-operation in place of the traditionally confrontational role of unions (Freeman and Rogers 1995: 18), some unionists distrust management's motivation, fearing that it will weaken the collective bargaining process and lessen employee's willingness to cooperate with union goals and activities (Craft 1991). Other commentators (Miller 1998: 243) note that union participation in management-union programs is increasing and should continue to do so if the labour movement is to make the necessary strategic changes demanded by the new structure of employment relations. It is argued (Wheeler 2000: 114) that unions have participated in this strategy because it provides a possible alternative to management's tendency of increasing profitability by downsizing, instead of investing in their human resources by upgrading the skills of their workforce.

A number of innovative strategies have been adopted by the union representing hotel and restaurant employees, i.e. the Hotel Employees and Restaurant Employees Union (HERE). In such a dynamic sector that consists of a diversity of occupations in a broad based industry, it is not surprising that there is a wide range of campaigns developed by the different local units. In the succeeding section, attention will be focused on the initiatives developed by Local 25 in Washington, D.C. and Local 2 in San Francisco. In each case, particular campaigns respond to issues that have been identified as those of critical concern to the membership and leadership in the respective cities.

³⁰ Findings from a survey on worker's expectation regarding representation and participation indicated that 41 per cent of all employees considered the most important role was to increase wages and benefits, 22 per cent expect unions to facilitate more respect and fair treatment at work and 14 per cent want more say in workplace decisions (Freeman and Rogers 1995).

Strategies of the Hotel Employees and Restaurant Employees Union

The major strategies of the local branches of HERE in Washington, D.C. and in San Francisco are aimed primarily at increasing the level of membership. As was stated by officials in both Local unions, they have intensified their organising efforts, using the phrase “we need to organise or we will die” somewhat universally³¹. Following a national trend that has evolved during the past decade, additional resources have been directed towards recruiting new members, providing leadership training³² and improving membership services. These objectives have been achieved primarily through employing more organisers and re-focusing the priorities of servicing staff. The quality of union contracts is central to sustaining the viability of each local branch, since a union negotiated agreement is one of the few ways in which low-wage hotel and restaurant workers can improve their earnings and gain employment benefits. Such contracts are under threat however, “if you are not organising a majority”, according to John Boardman, President of Local 25, Hotel and Restaurant Employees Union, Washington D.C. He is motivated by the conviction that

“Its very frightening for workers. The U.S. experience is as raw as capitalism gets. Workers can’t afford to get fired and its very tough for workers to join a union...Labor law doesn’t work for workers, it’s designed to help employers”(2000, pers. comm., June 5th).

Recruitment methods and strategies

A range of methods has been adopted to expand the membership of HERE and consequently the coverage of low-wage workers. Local 25 has focused strategic recruiting and organising campaigns on non-unionised hotels, with the aim of signing up enough people to vote for the union. The process of representing workers is unique by comparison with other similar market

³¹ Boardman, John 2000, pers. comm., June 5th; and Castro, Manuel 2000, pers. comm., July 12th.

³² Leadership training is considered as the “backbone of our work” (Castro, Manuel 2000, pers. comm., July, 12th).

economies, since in the United States enterprises are only unionised if workers are successful in an election organised by the National Labor Relations Board³³. Once the union is elected to represent members in negotiating a contract, the focus turns to making the deal early “without a fight”, since going to the picket line is considered the last option³⁴.

Considering the demography of the cities of Washington and San Francisco, it is notable that in each case the union has successfully recruited those sectors of the labour market with least access to employment benefits, i.e. low-skilled migrant, black and female workers who constitute the bulk of the low income workforce. The union has now stepped up its national campaign to organise immigrant workers (Bacon 2000: 23), in what appears to be a radical departure from its historical stance of supporting immigration laws. Currently local union branches are participating in community coalitions to oppose immigration-related firings, which have occurred throughout northern California in a campaign to enforce immigration law in the workplace³⁵. In the multi-ethnic city of San Francisco, where Local 2 has actively recruited immigrant workers, most immigrants currently employed in unionised establishments are

³³ To reach this point, union support is enlisted by organisers, generally with strong opposition from employers, who often hire an anti-union lawyer to “beat up on the union”. Once an enterprise is unionised, officials visit on a regular basis to talk to workers about any grievances that they wish to report. (Wallace, Nancy 2000, pers. comm., June 5th).

³⁴ Moses, Henry 2000, pers. comm., June 29th. It is many years since negotiations have ended in a strike. Job Actions, including short strikes involving one group of staff are being organised in a current contract dispute with Colonial Williamsburg in Virginia, where the union wants the employer to increase wages and pay health care benefits. In other branches of HERE much larger strikes are in process. In June 2000, one thousand workers from four hotels involved in negotiating a new collective agreement in Bloomington and Minneapolis walked off the job when talks stalled over wage and health care benefit issues. The union is negotiating increases of 22 to 50 per cent over five years for the lowest paid workers, who earn between \$7.50 and \$13.00 an hour, while management proposes raises of 17.5 to 23 per cent for the same period. (Thorne, Liz 2000, pers. comm., June 5th).

³⁵ In one recent case, thousands of workers in the state were fired by employers who correctly or incorrectly assumed that the worker’s status was illegal, according to correspondence from Social Security that stated there was a discrepancy between their records and those held by the employer (Bacon 2000: 21). However, after a recent court case nine motel workers were reinstated because an arbitrator ruled their immigration-related terminations were in violation of their union contract (Bacon 2000: 23).

documented workers. This is a direct result of employers with a union contract, who pay higher wages and provide employment benefits, selecting workers with legal status, rather than attempting to pay cash wages to undocumented workers, according to Chitto Cuellar, Organiser with Local 2, Hotel and Restaurant Employees Union (2000, pers. comm., July 7th).

Neutrality agreements with new management

In both Washington and San Francisco, where an upsurge in hotel accommodation is increasing the number of employees in the hotel and restaurant sector, Local 25 and Local 2 have initiated vigorous campaigns to build their size and representative capacity. They are seeking neutrality agreements³⁶ with the management of new hotels, and since Local 2 engaged in this process in the initial stages of the construction boom in San Francisco, it is unique amongst other unions throughout the country in maintaining a high level of density³⁷. This high-density level has assisted the union in negotiating a contract that is the “best in the U.S.,” according to Tho Thi Do, Secretary-Treasurer of Local 2 (2000 pers. comm., July 2nd).

The major tactic used by Local 2 was a highly successful political campaign aimed at increasing union membership and improving employment standards. With union support, Mayor Willie Brown was elected with the expectation that legislation would be adopted requiring all new hotels built on

³⁶ A neutrality agreement is a considerable advantage for a union entering into negotiation of a new contract, since as its name implies, it disengages the antagonism that is generally present between employer and union in the lead up to employees’ election of a collective bargaining agent. Under the terms of the neutrality agreement, an employer agrees to take a positive approach to the unionisation of its employees and their selection of a collective bargaining agent, while the union agrees to avoid picketing or any other economic action directed at the employer. Furthermore, under Section 2, 4, 7 and 8 of Memorandum of Agreement from *Neutrality/Card Check Agreement for a New Hotel* drafted by the Hotel Employees and Restaurant Employees Union, AFL-CIO, the employer agrees to provide access to its premises and the names, addresses and job classifications of employees should the union indicate its intention to organise.

³⁷ Data analysed by Faith Raider, research analyst with HERE, Local 2 indicates that it has been successful in negotiating contracts with 76.6 per cent of the 87 per cent of Class A hotels that are unionised.

land leased from the city to enter into a neutrality agreement with Local 2³⁸. In Washington, Local 25 has used the fact that the City provides a number of subsidies to investors as leverage in their campaign to secure a neutrality agreement with the management of each new premise³⁹. Following a similar strategy used in the San Francisco campaign, the union garnered considerable community backing from organisations that support improved wages and employment conditions, which are deemed possible under a union contract. Because of these collaborative efforts, a number of building projects have been delayed until a neutrality agreement has been reached, and in certain cases, developers have provided support for community initiatives, e.g. by contributing to a fund for housing mortgages of low-income workers⁴⁰.

As well as initiating strategies that will enable them to extend the coverage of union contracts, both Local 25 and Local 2 are engaged in campaigns to retain existing rates of coverage, which are threatened through hotel mergers. Under a new clause in union contracts, hotels that change management or amalgamate with another or are incorporated into a bigger company are obliged to honour the terms of an existing union contract⁴¹. In both Washington and San Francisco, as in other parts of the country, there are ongoing disputes with management who are refusing to comply with this clause. In other instances, negotiations have broken down over the terms of the new agreement as unions seek to incorporate such changes as regular days off,

³⁸ Werlein-Jaen, Lamoin 2000, pers. comm., July 13th.

³⁹ Regulatory relief offered to developers by City authorities anxious to attract new investment have taken the form of tax increment finance, permission to close streets or build above standard height regulations. Currently Local 25 is monitoring 17 new development projects with the view to gaining a neutrality agreement. (Moses, Henry 2000, pers. comm., June 25th).

⁴⁰ Moses, Henry 2000, pers. comm., June 25th.

⁴¹ In a current dispute with a member of the Kimpton Group of hotels, which owns sixteen hotels in San Francisco, the new management of one of the four unionised hotels has refused to sign the agreement that existed before it procured ownership. Despite the fact that workers elected Local 2 as their representative in bargaining negotiations in a National Labor Relations Board election in November 1997, the hotel group has refused to negotiate with the union.

overtime for working a 6th in a row, guaranteed retirement benefits, protections against subcontracting, to name a few⁴². In all agreements, benefits gained because of seniority are vigorously protected.

Seniority privileges of unionised workers

One important advantage that union contracts offer members is seniority privilege, whereby workers can bid for the hours and shifts they prefer based on seniority. In contrast to unionised hotels where employees “carry our identity according to our seniority”, non-union hotels make no distinction based on seniority⁴³. The impact of seniority on wages and distribution of tasks is of considerable value to unionised workers in hotels and restaurants. Whereas the hourly rate for a bellman is \$6.85 an hour, plus tips and a busboy is \$10.55 an hour, plus tips a busboy can earn \$70,000 a year because his senior position enables him to choose to work on events that the biggest tipping groups have booked⁴⁴. Because of these and other advantages, there are low turnover rates amongst medium and higher seniority positions in unionised hotels, compared to the generally high labour turnover rate in this industry⁴⁵.

This description of some of the current campaigns being organised by two branches of HERE identifies the issues at the heart of the campaigns and the strategies used to address them. In accordance with its historical function, this union has maintained a priority of negotiating collective agreements on behalf of

⁴² A protracted dispute with a member of the Marriott hotel chain has continued for four years, with over one hundred negotiation sessions. Since the hotel has been investigated by the National Labor Relations Board, which found that it had violated the law by negotiating in bad faith, it is required to post a notice guaranteeing its employees that it will not threaten them or withhold wage increases. It is also required henceforth to bargain in good faith, but the two parties have not reached an agreement that is satisfactory to each. For three days in each week, union organisers and members assemble at the front of either hotel to protest the fact that unionised employees do not have a contract signed by their employer.

⁴³ “Danny” 2000, pers. comm., July 13th.

⁴⁴ “Mike” 2000, pers. comm., July 13th.

⁴⁵ Workers employed under a HERE Local 25 contract are eligible for four weeks annual leave after 12 years of service, while the same workers employed under a HERE Local 2 contract are eligible for the same leave after 15 years of service.

its membership, at the same time as endeavouring to expand its representative potential. Clearly, union contracts are the primary means for low-wage hotel and restaurant workers to increase their earnings and gain employment benefits, particularly health insurance and employer funded pension schemes. In addition, industry specific issues such as distribution of workloads for hotel room cleaners or service fees of porters are negotiated in union agreements. By comparison, workers not covered by an agreement receive lower wages and have no seniority advantages, no medical benefits, no job security and no recourse to claim fair schedules⁴⁶. Furthermore, by increasing the number of establishments with union contracts, unions consider that other hotels are pressurised to meet similar employment standards as those implemented in unionised hotels⁴⁷. Since it is impossible to quantify this view, it can be concluded that while certain minor effects may permeate general labour standards, union contracts have a great deal of relevance for unionised workers but seemingly little application for the bulk of low-wage workers. To address this situation, community coalitions have been formed in various parts of the country with the aim of improving the employment conditions of non-unionised low-wage workers. Some of these initiatives are discussed here in conjunction with a number of schemes to improve training opportunities of tourism and hospitality workers.

Strategic Action by Local Government and Community Bodies

The lack of health benefits and low pay of minimum wage workers has prompted Living Wage Campaigns, consisting of broad alliances of community organisations, churches and labour unions, in various parts of the United States. In San Francisco, for example, a Living Wage Coalition successfully negotiated wage increases and some form of health insurance for thousands of low-wage workers (Epstein 2000: A17). Under an agreement with representatives of business and the City Authorities, 21,500 workers employed by the City will

⁴⁶ Werlein-Jaen, Lamoin 2000, pers. comm., July 13th.

⁴⁷ *ibid.*

benefit from incremental wage rises over five years. In addition, all low-wage workers who are employed on large City projects will receive medical coverage.

As in the case of employment advantages gained under a union contract, these campaigns affect a very small proportion of the labour force. They are indicative, however of community opposition to the decline in wages and living standards of low-paid workers. Such campaigns are striking by comparison with other similar market economies, particularly Italy and Denmark where wages are comparatively low in the former case and comparatively high in the latter case, but there is a range of employment benefits and public services that are not available in the United States. Another important fact in relation to the employment, training and infrastructure issues of this industry is that there is little national co-ordination by comparison with the tourism and hospitality industry in Denmark and Italy.

Unlike only industrialised countries, the United States does not have a national tourism office (Stenauer and Alonzo 1999), while other similar economies have instituted publicly funded national and local authorities to address the issues affecting this sector. In Denmark, in particular, tourism development authorities are responding to the major challenges confronting the tourism and hospitality industry, i.e. attracting and retaining qualified employees, developing the existing workforce and initiating programs for sustainable development⁴⁸. By comparison, when a new Tourism Organisation was established in the United States in 1996, it was financed privately by member businesses (Congressional Quarterly Weekly Report 1996). Consequently, its main purpose is to advance the interests of its constituents rather than to address industry wide issues.

One recent initiative in response to training needs in the sector, is the establishment in Washington, D.C. of the nation's first four-year public high

⁴⁸ See Chapter 7, page 273 for a discussion of the priorities adopted by Danish tourism authorities.

school designed specifically to provide occupational skills in the tourism and hospitality industry. Dedicated to the J. Willard and Alice S. Marriott Foundation, which has injected \$1 million in funding into the school, it will provide academic and work place based training for a career in the hospitality industry. Students are offered internships in hotels, restaurants or other hospitality establishments and may continue further studies at a university or post-secondary educational program or move directly into employment. It is expected that this initiative will provide a model for public and hospitality education in other parts of the country (Hotel Business News 1999).

In the broader tourism sector, a noteworthy achievement that deserves a mention in this context is an initiative of the City of Chicago, which provides professional training in vocational areas that have traditionally been bereft of such opportunities. Since 1996, employees in the Chicago Park District, one of the largest urban public park districts in the world, including 3,000 full-time and 3,000 seasonal employees participate in initial and ongoing occupational training. In a partnership with Chicago State University, the City has launched a training program that may well be a national model (Pesavento 2000).

These two initiatives are rare examples of publicly funded occupational training, however a number of more generic training programs are provided by individual states. In Washington, the District of Columbia Employment and Training Administration offers job-related training for 14-17 year olds through the Mayor's Youth Leadership Institute, a Summer Works youth employment program for 14-21 year old youth and opportunities for labour market training for residents over 22 years of age. In partnership with businesses, such as hospitals and the transportation system, the Office of Employer Services also provides training programs in occupations that offer career paths within the particular firm. It conducts employer forums, such as an Employer Advisory Committee, which use Labor Market Information data to help determine high-demand skills, specific desired skills, and the training necessary to provide candidates with these skills. The Office encourages developers and businesses,

to hire District residents using the First Source Agreement Program and engages in aggressive direct marketing to employers, customised by industry, to deliver services that meet their human-resource needs⁴⁹.

The programs, services and campaigns discussed in this section have evolved as initiatives of individual stakeholders or government authorities or autonomous community organisations in coalition with other similar bodies. The nature of these projects, and the manner in which they have been developed, corresponds with established socio-cultural traditions, which facilitate independent initiatives instigated in response to particular issues. While in many cases, these initiatives are organised in co-ordination with other stakeholders, individual rather than collective strategies are more customary in this context than in the social partnership approach illustrated in the Danish and Italian case studies. The latter appear to involve a more comprehensive, targeted approach at the institutional level and a corresponding dedication of public resources to dealing with identifiable social issues, while the United States sponsors a more competitive environment.

Conclusion

Employment growth in both high-skilled and low-skilled sectors is a key feature of the United States labour market that has enabled it to maintain high participation rates and low levels of unemployment. In the labour intensive industry examined in this chapter, employment and income levels are rising at a faster rate at the upper end of the labour market, increasing the demand for highly qualified employees. Likewise, labour demand for low-skilled workers is illustrated by the historically low unemployment levels, which are admired by similar market economies registering high rates of unemployment, particularly long-term unemployment. While participation levels are high for low-income

⁴⁹ Joan Harrell, Office of Employer Services, Department of Employment Services, Washington, <SGilbert@DOES.DCGOV.ORG. Private email message to Jennifer Lauritsen, September 21st, 2000.

workers, minimum wage rates are such that they seek multiple jobs to earn a liveable income. This analysis reveals that the position of low-income workers is deteriorating in relative terms, a situation that undoubtedly contributes to the fact that both the incidence and intensity of poverty is more prevalent in the United States than in other industrialised economies.

Employers are dealing with labour issues in the tourism and hospitality industry, particularly the problem of retaining qualified staff by offering attractive salary packages that incorporate employment benefits and a range of other incentives. They are up-skilling their employees to meet changing technological and consumer demands. Unions on the other hand, maintain their traditional role of negotiating collective agreements that increase wages and provide employment benefits, including employer-funded insurance covering health and retirement pensions. They have developed a range of strategies to respond to changing enterprise and institutional practices affecting the industry. In conjunction with community coalitions, they have developed campaigns to improve the wages and employment conditions of low-wage workers.

A most striking fact that emerges from this analysis is that the bulk of employees in this industry are not covered by any of these strategies, since approximately 90 per cent are in non-supervisory positions of which less than 15 per cent are unionised. They are amongst a substantial percentage of workers that are employed under non-standard employment arrangements, which are outside the full-time, permanent model. They have very little income or employment security in a nation that provides minimal publicly funded education, health and welfare services. In other industrialised countries, where non-standard employment arrangements are increasing in conjunction with the changing structure of employment that characterises the contemporary labour market, the relevant institutions are addressing the lack of employment security associated with these positions. The strategies adopted in Italy and Denmark, for instance, will be discussed in chapters 6 and 7.

This case study illustrates how one small sector of United States society is adjusting to both external and internal pressures impacting on it. In many ways, it describes what is happening on the ground in a model of market capitalism that is highly successful according to macro indicators. In comparison with other industrialised countries, particularly those depicted in this study, a very different picture of the labour market emerges. The fallout from the effects of global economic restructuring appear to be more evenly distributed in some of the smaller continental European countries that are influenced by a strong social democratic tradition. This is quite conceivable when one considers the institutional arrangements they have put in place to moderate the effects of variations in the goods, finance and labour markets. In these countries, there is a great deal more intervention through collective agreements and legislated conditions of employment. It is the flexibility of the United States employment system, however, that continues to receive acclaim from the national to the multi-lateral level for its employment generating capacity. Furthermore, its facility to absorb both high and low-skilled sectors of the labour market for a sustained period has not been matched by other similar market economies.

Chapter 5

The European Model of Social Partnership

Introduction

Throughout the course of this thesis, it is argued that the differential impact of global economic demands on industrialised nations is illustrated by examining the way local labour markets are adjusting to external pressures and to the internal pressures they precipitate. It is further argued that the manner in which individual nations are adapting the mechanisms that regulate their labour markets is equally diverse. In the two preceding chapters, attention has focused on recent developments in the United States, in particular the methods adopted to ensure that its labour market is operating at its full potential. It is noted that the employment generating capacity of the economy has produced both highly skilled and low-skilled employment and a flexible labour market with low unemployment levels. It is also noted that the position of unskilled workers is deteriorating, according to time series data and by comparison with other industrialised countries. A case study of the United States tourism and hospitality industry demonstrates one of the central arguments of this thesis, i.e. that the way states are dealing with common pressures on their labour markets is conditioned by the profound influence of historical factors on contemporary practices.

The task of the next three chapters is to examine labour market developments in continental Europe, where dissimilar customs, practices, cultures, political regimes and traditions are interacting with the demands created by the global economy. In particular, this chapter demonstrates how fundamentally different the trajectory of Europe is from the United States. Secondly, it demonstrates that even within Europe the distinctions are vast between cultural expectations, social norms and institutional and procedural history. Most significantly, for this thesis it identifies components of these pathways that have created a completely different background at this moment of history, when technology is putting pressure on production methods and employment practices. While the pressures impacting on national labour markets may in many cases be similar, it is argued that states are responding more because of their history than the actual pressures. It is necessary therefore, to lay out in some detail the social, cultural and institutional influences that are affecting the responses being made by respective states.

One factor to be acknowledged at the outset is that intense differences exist between individual European nations. The differences between the Mediterranean countries of the south, the Nordic countries to the north and other Western European countries including Germany, Austria and Belgium etc. are quite profound. Not only between regions, but also within regions there are distinctly national characteristics and practices and considerable social, political and cultural differences, which shape national policies, institutions, regulations and their outcomes. Here, these collective features and their origins will be examined to provide a backdrop for succeeding chapters, which provide a closer study of two quite diverse nations. These two countries, Italy and Denmark represent vastly dissimilar aspects of the same region. They have been selected for this reason, and also because they provide a clear illustration of the varied impact of common globalising influences, despite sharing certain historical and regional characteristics. Finally, the manner in which they have dealt with labour

market problems that have emerged during the past three decades and the outcome of this process varies markedly.

Another important fact to mention in relation to the countries of continental Europe is that they have been affected by structural changes in the global economy in quite different ways from the United States. Most notably, many of the continental European countries have registered severe labour market problems that are reflected in high and persistent levels of unemployment. Addressing this issue has been prioritised on the European social policy agenda (The European Commission 1998b: 5) and is considered (Sen 1998: 16) a European commitment, not simply a national one. The manner in which the countries of this region as individual states and as members of the European Union, have perceived the causes of their labour market problems differs quite considerably from successive United States administrations. In the latter case, there has been a continuity of neo-liberal inspired policy developments throughout both Republican and Democratic Administrations. Similarly, in continental Europe, it is possible to identify the effect of common ideological foundations on institutional and policy outcomes, despite the vast differences between the individual countries.

This chapter begins by identifying the more significant economic and employment trends that have developed in Western Europe during the past three decades, before examining the critical elements governing the way employment is regulated in this region. In the remaining sections, general influences shaping policy responses to global economic pressures will be outlined, with some emphasis on the pivotal role played by regional authorities, since unification within the European Union. While their input is advisory rather than prescriptive, it is nonetheless a very significant influence on the development of national economic, employment relations, vocational training, welfare and other related policies. Some authors (Ferner and Hyman 1998: xix), for example, argue unequivocally that the convergence criteria of the Maastricht Treaty has been responsible for coercing governments in member countries of the European

Union “to take an active role in the unravelling of post-war settlements”. In light of the current debate, concerning the unifying influence of European Union membership requirements, and the fact that this adds another layer to the existing pressures on member countries, it is necessary to examine recommendations in the relevant policy areas. In so doing, the emergence of definitive tendencies shaping regional priorities will be identified.

Economic and Employment Factors

One of the key reasons proposed for slower employment growth in this region, by comparison with the United States, is the low rate of economic growth in many Western European countries in the immediate post World War II years. During this period, in marked contrast to the Golden Age of economic expansion, slow economic growth is correlated with low rates of employment and high levels of unemployment. Despite a moderate decline in 1993¹, GDP growth has increased in both the European Union and in European OECD countries during the past two and a half decades, remaining slightly below the GDP growth rate for the total OECD (OECD 1998, June: 2). See table 5. As a consequence of more stable conditions, in the four years prior to 1990, when the average rate of GNP growth in the twelve countries of the European Union was 3.5 per cent per year, employment increased by 1.4 per cent (Dreze 1996: 29). In that period, unemployment fell to 8 per cent because of a small increase in the working age population and a slightly faster growth in the labour force (Dreze 1996: 29). Improved economic conditions, resulting in the expansion of the labour force parallel increases in the level of trade and investment associated with closer regional co-operation.

¹ Norway was amongst other OECD countries, including Australia, Canada, New Zealand, the United Kingdom and the United States that were first affected by the 1992 economic slowdown, while other continental European countries were affected later and were expected to recover more slowly. France and Italy, in particular, experienced declining consumer confidence and increasing rates of unemployment, which reached historically high levels in France (The World Bank 1993: 25, 26).

Table 5 Growth of real GDP in OECD countries

	SHARE IN TOTAL OECD GDP 1991	AVERAGE 1985-1995	1996	1997	PROJECTIONS 1998	1999
Australia	1.7	3.0	3.7	2.7	3.2	3.2
Austria	0.8	2.6	1.6	2.1	2.7	2.9
Belgium	1.0	2.1	1.5	2.7	2.7	2.8
Canada	3.2	2.2	1.2	3.8	3.3	3.0
Czech Republic	0.6	...	3.9	1.0	0.9	1.2
Denmark	0.6	1.7	3.5	3.4	3.0	2.8
Finland	0.5	1.4	3.6	5.9	4.2	3.0
France	6.2	2.1	1.5	2.4	2.9	2.8
Germany (c)	8.1	1.4	1.4	2.2	2.7	2.9
Greece	0.6	1.6	2.7	3.5	3.0	3.4
Hungary	0.4	...	1.3	3.8	4.3	4.6
Iceland	0.0	1.9	5.5	5.0	4.6	3.4
Ireland	0.3	5.0	7.7	10.5	8.6	6.6
Italy	5.8	2.0	0.7	1.5	2.4	2.7
Japan	14.1	3.0	3.9	0.9	-0.3	1.3
Korea	2.4	8.7	7.1	5.5	-0.2	4.0
Luxembourg	0.1	5.9	3.0	3.7	3.4	3.5
Mexico	3.0	1.2	5.2	7.0	5.3	4.9
Netherlands	1.5	2.6	3.3	3.3	3.7	3.2
New Zealand	0.3	1.6	2.7	2.8	3.1	3.4
Norway	0.5	2.6	5.3	3.5	4.1	3.0
Poland	1.0		6.1	6.9	5.8	5.6
Portugal	0.6	3.2	3.0	3.5	3.8	3.2
Spain	3.0	2.9	2.3	3.4	3.5	3.3
Sweden	0.9	1.4	1.3	1.8	2.6	2.4
Switzerland	0.9	1.3	-0.2	0.7	1.5	1.8
Turkey	1.6	4.4	7.2	6.3	5.5	5.0
United Kingdom	5.4	2.3	2.2	3.3	1.7	1.8
United States	35.2	2.4	2.8	3.8	2.7	2.1
OECD Europe (d)	40.2	2.1	2.1	2.8	2.9	2.9
EU	35.2	2.0	1.7	2.6	2.7	2.7
Total OECD (d)	100.0	2.5	2.8	3.1	2.4	2.5

...Data not available

- (a) The OECD Secretariat's projection methods and underlying statistical concepts and sources are described in detail in "Sources and Methods OECD Economic Outlook" which can be downloaded from the OECD Internet site <http://www.oecd.org/eco/out/source.html>
- (b) Aggregates are computed on the basis of 1991 GDP weights expressed in 1991 purchasing power parities.
- (c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for Western Germany prior to 1992.
- (d) Average for 1985-1995 excludes the Czech Republic, Hungary and Poland

Source: (OECD 1998, May)

Employment effects of regional economic integration

The economic components of regional integration, particularly increased levels of foreign direct investment, which has led to the expansion of existing markets and the opening up of new markets has had a favourable impact on employment in the European Union. Easier access to resources and stable exchange rates, have had a similar positive effect. With over 375 million consumers in 15 Member States, the European Union is the largest united marketplace, representing 30 per cent of world trade. Since the introduction of the internal market in 1990, the use of a common currency in 1999 and the increase in trade within rather than beyond the region, the European Union has been described (Brown 2000: 54) as the world's "most tightly integrated trading block". Consequently, the employment effect of regional economic integration is expected (Keller 2000: 33) to result in job creation that outstrips job losses.

In association with the positive economic effects of regional integration, there are arguably (Huffschmid 1997) negative employment effects that are linked with recommendations in The Treaty on European Union to prioritise the reduction of government deficits. Under the Stability and Growth Pact established in conjunction with the aforementioned treaty, national budgets in member states are prohibited from incurring a deficit of more than 3 per cent, except in the case of a severe recession when there is a 2 per cent or more decline in GNP. While it is understood (Kauppinen and Pochet 2000: 21) that this emphasis on reducing inflation in order to create external currency stability has been accepted by member states, it has been adopted with more enthusiasm in some quarters than in others. For example, certain countries including Austria, Belgium, Denmark, France and the Netherlands adopted the new monetary regime in the early 1980s, while other countries, including Italy, are only recently adapting to these monetary policies. Associated with the varied responses by individual nations to an integrated monetary system, is the variation in the way labour markets have reacted to the external stimuli engaging with them.

Non-uniform labour market effects of economic globalisation

One of the most significant features of labour markets in the European Union is the diverse way they have been affected by recent decades of global economic restructuring. This diversity is most obvious when comparing employment and unemployment levels in different member states. Both within and beyond the region, the highest and lowest rates of employment and unemployment are registered. For instance, amongst OECD countries, Spain has the highest unemployment level of 18.6 per cent and Luxembourg registers the lowest rate of 2.7 per cent (OECD 2000g: 21). In the case of youth unemployment, some countries, including Belgium, the Czech Republic, Finland, France, Greece, Italy, Poland and Spain register rates above 20 per cent, while in Austria, Denmark, Iceland, Luxembourg and Switzerland youth unemployment has fallen to 6.4 per cent or lower (Eurostat 2000; OECD 2000g: 20, 21). Extremes of this nature, are mirrored in certain countries most notably Italy, where in 1999, unemployment was 28.7 per cent in the region of Calabria in the underdeveloped south compared to 3.9 per cent in Trentino-Alto Adige in the industrialised north (Behrens 1999: 2).

Diverse trends are also evident in the case of long-term unemployment. See table 6. For instance, in Norway long-term unemployment has fallen to a very low level of 8.2 per cent, while in a number of other European countries including Belgium, Greece, Hungary, Ireland, Italy, Portugal and Spain long-term unemployed still account for 50 per cent of the unemployed (Cavalle 1996: x; OECD 1997, December: 4). Whereas certain countries, namely Spain have exceedingly high rates of youth, long-term and overall unemployment, labour shortages in the Netherlands are represented by severe recruitment problems in the public service (OECD 2000c: 2, 6). Similar contrasts occur with participation rates, which have generally remained much lower in Europe than in Japan and the United States (Elmeskov 1993: 7). Denmark currently has the highest participation rate in the OECD (OECD 2000a: 15) whilst Greece,

Ireland, Italy and Spain have the highest non-employment rates² (OECD 1998, June: 8). These figures are also of interest in comparison with the United States, where labour force participation rates are relatively high, and unemployment rates, particularly long-term unemployment of 8 per cent, are exceedingly low (OECD 2000g: 21).

Table 6 Long-term unemployment rates in OECD countries

	LONG-TERM UNEMPLOYMENT: 12 MONTHS OF MORE. PERCENTAGE OF TOTAL UNEMPLOYMENT			LONG-TERM UNEMPLOYMENT: 12 MONTHS OF MORE. PERCENTAGE OF TOTAL UNEMPLOYMENT	
	1998	1988		1998	1988
Australia	33.6	28.4	Korea	1.6	..
Austria	30.3	..	Luxembourg	31.3	37.9
Belgium	61.7	76.1	Mexico	0.9	..
Canada	13.7	8.8	Netherlands	47.9	49.1
Czech Republic	31.2	..	New Zealand	19.4	13.4
Denmark	26.9	24.5	Norway	8.2	10.5
Finland	27.5	19.0 (c)	Poland	37.4	..
France	44.1	44.8	Portugal	44.7	48.3
Germany	52.6	46.2 (b)	Spain	54.1	61.5
Greece	54.9	46.1	Sweden	33.5	14.9
Hungary	49.8	..	Switzerland	34.8	..
Iceland	16.1	..	Turkey	40.0	50.8
Ireland	57.0 (a)	64.4	UK	32.7	43.0
Italy	59.6	68.7	US	8.0	7.4
Japan	20.9	20.2	OECD total (1)	33.3	36.5

.. not available

1. Only data shown in this table are included in these totals

(a) 1997

(b) former West Germany only

(c) 1987

Source: (OECD 2000g: 20, 21)

Other common trends, viz. female participation rates and the incidence of joblessness, amongst individuals and households, reflect wide variations. For example, the highest female participation rates in the OECD occur in Sweden and lowest rates are registered in Turkey (OECD 2000g: 16, 17). Non-

² Non-employment rates are calculated by dividing the sum of the inactive and unemployed persons by the population of working age.

employment rates are highest for women in all countries because of rising participation rates, which are generally accompanied by increased employment rates for women (OECD 1998, June: 8). In the decade prior to 1996, however, Ireland and the Netherlands registered the largest employment gains and declines in non-employment, whilst increased female participation rates in France, Greece, Portugal and Italy were not sufficient to counterbalance the increase in the non-employment rate and resulted in an increase in the number of jobless persons (OECD 1998, June: 8). Regarding the incidence of joblessness amongst individuals and households, recent OECD (1998, June) studies have shown that during the past decade the share of households in which all adult members are unemployed has increased in every OECD country, except Ireland, the Netherlands and the United States. In some countries, including Belgium and the United Kingdom, changes in the structure of households resulting in a higher incidence of unemployed adults in single-adult households accounts for this fact. In Greece, Italy, Ireland and Spain, cultural influences are generally responsible for the fact that unemployed adults are more likely to live in larger households in which other adults are in employment (OECD 1998, June: 25).

A general trend in this region, as in all OECD countries, is widespread employment growth in the tourism and hospitality industry that has occurred in association with a universal increase in international tourism. As the world's leading tourist destination, Europe derives 5.5 per cent of GNP from the tourism sector and 6 per cent of employment (Townsend 1997: 178). While the economic and employment value of this industry varies between states, a considerable proportion of the total labour force is employed in tourism related employment with all countries, excluding Belgium registering above 5 per cent. Employment in hotels and restaurants is somewhat more varied amongst European Union nations, accounting for between 3.5 per cent and 10 per cent of the total labour force (Commission of the European Communities 1995).

A cursory view of the factors cited above, illustrates the extraordinary differences that exist between the various Western European labour markets, as

well as something of the nature of the demographic, cultural and social elements interacting with prevailing economic forces. Notwithstanding this fact, there are certain commonalities occurring in continental Europe that are more clearly observed by comparison with other regions, notably North America. Some of the ways in which universal labour market trends associated with increased exchanges in trade, capital and technology across national borders, differ between continental European countries and the United States are identified here.

Variable labour market outcomes vis-à-vis the United States

In both Europe and the United States, productivity gains have benefited workers at the top of the income scale, through wage increases and higher standards of employment. In regard to unskilled workers, whose labour market position has worsened in almost all OECD nations (Phelps 2000: 86) their fortunes vary considerably between the countries of continental Europe and the United States. In the former case, increasing numbers remain in long-term unemployment, while the prevalence of minimum wage jobs in the United States provides low-wage employment for a large percentage of this segment of the labour market (ILO 1995: 136). Because of higher levels of minimum wages in European countries, the proportion of low-paid jobs in total employment is lower in contrast to the United States, and the inequality in earnings across demographic groups, particularly between women and men and younger and older workers is narrowed (OECD 1998, June: 32).

In those continental European countries with high unemployment benefit replacement rates, higher levels of collective bargaining and centralised bargaining processes, there is less wage disparity, higher employment levels and lower unemployment rates, by comparison with the United States and other European states (Blank 1997b; ILO 1998b; OECD 1998, June: 102). Secondly, in such countries job insecurity is significantly less prevalent (OECD 1997, July: 130). Similarly, countries with low and medium levels of employment

protection legislation and strong apprenticeship systems have lower unemployment and higher employment rates of young workers (OECD 1998, June). Higher levels of trade union density in certain European nations are also associated with higher unemployment (OECD 1998, June: 102) causing some countries to argue for a decentralised industrial relations system that has a minimal role for trade unions.

The percentage of full-time low-wage workers belonging to poor households is considerably lower in European Union countries, compared to the United States, registering 20 per cent and 40 per cent respectively (OECD 1998, June: vii). Whereas wage dispersion narrowed in certain European nations, including Denmark and Norway between the mid 1980s and the early 1990s (Madsen 1999: 17; Phelps 2000: 91, 92) the earnings gap increased substantially in the United States during that period (OECD 1997, July: 97; Pryor 1996: 30). As a result of this increase, rising poverty levels, marginalisation of low-income workers and increasing budgetary pressure on social safety nets has occurred (ILO 1999; OECD 1997, December: vii; OECD 1998, June: 31).

The age and composition of OECD labour markets has changed in all countries, however the growth of the active population has been most marked in the United States and Canada, where it has reached 2 per cent a year increase between 1974 and 1994, compared with 1.3 per cent in Southern European countries and Ireland (ILO 1995: 132). In Northern European countries, the increase of 0.6 per cent per year is attributed (ILO 1995: 132) to the increased incidence of educational participation and to the early retirement of women workers.

The more notable variations identified between the United States labour market and those of continental Europe include the distribution of employment and income according to skill, gender and age. It is conceivable that the source of these distinctions stem from the manner in which employment is regulated in each case. For instance, labour market institutions that are generally associated

with higher rates of structural unemployment evident in the large European states do not exist in the United States. At the same time, such institutions are operative in a number of European countries, which register high employment levels and low unemployment rates that parallel the United States labour market. Clearly, similarities in European institutional arrangements are producing disparate outcomes, which are the product of unique national procedures that have been informed by centuries of tradition. At this point, an attempt is made to identify the elements that have shaped institutional and policy processes in continental Europe, particularly in comparison with the United States. These elements will be discussed in the next section, in order to shed light on distinguishing aspects that are imbedded in the continental European approach to employment regulations and some of the historical and cultural reasons underlying these developments.

Employment Systems in their Historic Context

Social and economic changes and a degree of political upheaval during the late 1800s were the catalyst for the development of European employment relations and welfare state programs, which introduced labour market regulations. As the most advanced industrial economy in the late 1800s, with the highest rate of GNP per capita, the United Kingdom was the first European country to develop a coordinated system of industrial relations. Denmark was the first nation to negotiate a national, multi-industry agreement between the major industrial partners when it entered into the *Hovedafteling* or Basic Agreement in 1899. Events of this era have been associated (Crouch 1994: 78) with “a new kind of collectivity” which corresponded with socio-economic developments that inspired widespread debate leading to the formation of political parties, state infrastructure and the introduction of welfare state policies. In conjunction with these developments, Pope Leo XIII’s encyclical *Rerum Novarum*, which supported autonomous organisations of workers, was influential in the

foundation of Catholic trade unions and Christian democratic political parties (Crouch 1994: 80).

The European model of social partnership

The involvement of employer and worker organisations in regulating labour and social issues has remained an important feature of European industrial relations. Trade union movements and centrally organised employer associations have played a very significant role in this process, through collective bargaining negotiations. A trait of early European industrial relations was the capacity of union movements to organise and represent the interests of workers, most successfully in the case of Denmark. In the late 1800s, the German and British union movements had large memberships but limited representative capacity, while the Austrian, Norwegian, Swedish and Swiss movements were very articulate but lacked a membership structure. Collective bargaining systems, negotiated primarily at a local level were developed before the turn of the century in Britain and Switzerland and in many countries, union representatives participated in committees to address labour issues or arbitrate conflicts (Crouch 1994: 84, 85).

The role of the state in regulating employment has evolved according to the different industrial relations traditions of the various nations of Western Europe. Jones and Cressey (1995: 12) have identified three general models of state intervention. In the Romano-Germanic system, which influences all the continental European Union countries, except Denmark, there is extensive labour market legislation and the state has a major role in regulating industrial relations. In the Anglo-Irish system, legislation plays a less important role and the state is rather less interventionist in determining the function of the labour market and industrial relations. The Nordic system gives greater importance to collective rights than the Romano-Germano system and is less voluntarist than the Anglo-Irish system. In Denmark, where collective agreements are in

principle legally binding, labour legislation has a less significant role than in the other Nordic countries.

While trade unions have continued to play a significant role in regulating employment relations, their capacity and impact varies considerably between states. According to some authors (Clarke, Bamber, and Russell 1998: 295), the role of unions as social partners with government in labour and social relations was strengthened in the post-war reconstruction period because of their contribution in various war efforts. The alliance between social partners in addressing labour and social issues in some of the small Western European countries has restricted industrial disputation evident in certain other industrialised countries. Secondly, according to one OECD (1986b: 8) report, this co-operation has helped to maintain lower levels of unemployment. During the past decade, the smaller nations of Austria, Denmark and Norway have emerged as the strongest illustration of this feature. By contrast, in France a weakness of social dialogue has affected the function of governments in industrial relations, while it is argued (OECD 1986b: 8) that moderate wage demands in Germany and excessive demands in Britain are the result of strong co-determination institutions in the former case and weak institutions in the latter case.

In accordance with earlier traditions, the most common form of bargaining in European Union countries occurs at the industry or sectoral level, where a framework is established for plant or enterprise level negotiations (OECD 1995b: 10). Terms of employment and industrial disputation are negotiated at the national or regional level. The negotiation of wages and conditions, which has traditionally occurred at that level, is becoming increasingly more decentralised, in order to incorporate enterprise specific conditions. In addition, in many European Union countries, works councils or works committees deal with issues relating to the direct interests of employers

and employees in individual workplaces³. Works councils, which are unique to this part of the world, are widely used as a means for workers to participate in industrial decisions and consequently, they serve as a means of collective representation rather than a bargaining method. Since the negotiation of employment and industrial issues occurs within the broad framework established under the European social model, welfare state infrastructure and policies have their origins in the same historical circumstances that produced the collective bargaining process.

Welfare state programs and the post-war social contract

In the aftermath of the Great Depression, Western European nations adopted publicly funded programs on which their welfare states were founded, although such policies first originated in Imperial Germany in the period between 1870 and 1914. The development of welfare state policies during the 1940s and 1950s coincided with the emergence of Keynesian theories, and their proposed relief from the effects of economic stagnation, including mass unemployment and poverty. This policy approach, which incorporated a commitment to full employment⁴, has been associated (Britton 1997: 295) with political changes

³ Works councils were promoted in the European Union under the 1994 Directive on the Establishment of a European Works Council or a procedure in Community-scale undertakings for the purposes of informing and consulting employees. Member countries were asked to implement enterprise based employee representation structures within two years (Keller 2000: 39).

⁴ This definition of full employment is based on one used by Britton (1997: 295) who draws on William Beveridge's original use of the concept and adapts it to the contemporary social and economic reality. In the 1940's, Beveridge coined the term to mean that there would always be an availability of jobs at wages and in places that unemployed persons would be willing to work. Understanding this to mean excess demand in the labour market, Britton writes that this use of the term would not be appropriate today in OECD countries, as it would not be possible to regulate wages and prices in order to control inflation. In accordance with the usage of the term by contemporary economists to mean that the labour market is balanced, or in equilibrium, Britton suggests that this balanced position should incorporate elements of the original understanding of the term in order to ensure that it takes account of social and economic demands. Given important historical and cultural differences, this definition would, no doubt, find greater acceptance in the countries of continental Europe than in the United States.

resulting from the failure of liberal democracies to manage the economic crisis of the 1930s.

Despite the pervasive effects of the global recession, welfare state programs varied considerably throughout the industrialising world. Such programs, which became prevalent in the social democratic societies of Western Europe, particularly in the Scandinavian countries, were adopted on a much smaller scale in Japan and the United States. Government initiatives in Western Europe led to the establishment of pensions, social insurance and public unemployment schemes. Public spending programs were intended to increase employment and raise purchasing power. Wage earners were provided minimal security and collective bargaining agreements were immune to threats arising from the existence of high unemployment (Boyer 1994: 44).

Implicit in the post-war social contract was the right of every individual to work, an obligation which entitled each person to secure employment, promotion opportunities and social security protection (de Foucauld 1996: 677). This philosophy has had an abiding influence on individual states response to the employment crisis of recent decades, and in contemporary efforts by the European Commission to promote full employment policies⁵. In the years immediately following the Second World War, for example, Sweden became the “quintessential full employment society” in which full employment was declared the primary goal by the Social Democratic Government and the national trade union authority (Ginsburg et al. 1997: 13). Theories developed by economists of the Stockholm School assisted in the formulation of policies that reduced unemployment and helped to end the effects of the Depression before most other countries (Ginsburg et al. 1997: 11).

This cursory view of historical factors affecting the evolution of employment relations in the welfare states of Western Europe provides the

⁵ At the 2000 Lisbon European Council Meeting, full employment was re-instated as a high priority of European employment and social policy.

background for a closer examination of the way such states have responded to changes in the international political economy. Certain distinguishing features of the European social model have undergone a considerable degree of exposure to these developments, leading to the decentralisation of employment relations and the reform of welfare state programs. Likewise, the changing function of social partners is closely linked with the impact of global pressures, as identified in the following section.

Response to Global Pressures in Policy and Institutional Terms

Structural reform programs aimed at enhancing efficiency and in turn international competitiveness, which have been adopted in all OECD countries in the past two decades, have been implemented in non-uniform ways in this region. All governments have been prompted to evaluate the efficiency of regulatory instruments, adapting them to meet the competitive demands of national industries operating in the global economy (OECD 1996a: 39). Trends common in other OECD countries, namely the privatisation of publicly owned utilities are observed in continental European nations, however in general these nations have more public ownership and more regulations than the Anglo-Saxon countries of Australia, Canada, New Zealand, the United Kingdom and the United States (OECD 1996a: 68). For instance, the most significant privatisation efforts have been implemented in the United Kingdom and New Zealand (OECD 1996a: 67). Amongst the continental European states, Finland has privatised services and liberalised price regulations. By contrast, other Nordic countries, including Denmark and Norway have maintained a substantial public sector, accounting for 30 per cent of national employment in the former case.

Privatisation of key industries and deregulation of labour markets

Structural reform of the service sector that has occurred in Europe has generated positive outcomes in certain countries. For example, studies of the

distribution sector, which accounts for 10 to 20 per cent of total employment and between 8 and 18 per cent of GDP in the OECD area, show that both output and employment have increased in Sweden and prices have fallen (Civildepartementet 1991). In France (Cette G et al 1992), and the Netherlands (Kremers, Gradus, and Heijmans 1994) similar gains are expected to result from further liberalisation of shop opening hours. In some countries, including Italy and Belgium, national regulations, which are currently used to create entry barriers to larger establishments, have prevented the move towards larger stores and protected small owner-operated enterprises (OECD 1996a: 44). Since the latter are considered less efficient, it is understood (OECD 1996a: 64) that potential productivity gains are limited in countries, including Italy, France, Belgium and Japan where restrictions on large distribution establishments remain in practice. Consequently, there is a tendency as incomes increase in OECD countries for them to move towards larger outlets with lower price regimes. In general, structural reform programs have been most intensive in the least regulated countries including the United States, the United Kingdom and New Zealand (OECD 1996a: 67) while Denmark, Ireland and Norway still have a high degree of public ownership in the service sector, particularly in comparison with the G-7 countries.

The implementation of policies aimed at controlling public expenditure and the restructuring of labour markets by governments faced with the competitive challenges of global economic integration represents a general retreat from social democratic principles, according to Marxist analysts Ferner and Hyman (1992a: xix). They note that deregulatory policies introduced by Margaret Thatcher moved Britain most strongly in the direction of economic liberalism, while centre-right administrations in Germany, Denmark, Holland and Sweden that changed their countries' welfare state policies significantly, did not abandon their ideological foundation. From a similar perspective, Miliband and Liebman (1986: 477) argued that governments have engaged in moderate reform within a capitalist framework, by adapting to the demands of

conservative elements in their respective societies in the name of 'national interest'. In this way, social democratic governments in certain countries including France and Britain perceivably (Miliband and Liebman 1986: 478) compromised with the demands of their opponents on the right rather than their critics on the left.

With regard to the feasibility of social democratic governments maintaining a political and economic commitment to full employment, it is argued (Lee 1997b) that while there has been a steady drift away from full employment in industrialised countries, there is no empirical evidence to support the desirability or viability of a complete departure from this concept. Lee (1997b) dispute the view that expansionary policies are an unsatisfactory solution to enhancing economic growth and in turn increased demand, investment and employment. Likewise, Evans (2000: 2) argues that it is imperative that governments restore their objective of achieving full employment by ensuring that productivity increases generate social and economic gains. One strategy aimed at improving enterprise productivity and in turn increasing competitiveness and employment, that has become prevalent during recent decades of global economic restructuring, is that of decentralised bargaining.

Decentralisation of employment relations

The decentralisation of bargaining processes, aimed at creating greater independence amongst enterprises, is a prominent example of common trends that are occurring in European employment relations in response to global competition. Increased pressures on firms to implement new work practices and adapt to changes in cost regimes in order to improve economic efficiency and generate employment have been associated (Katz 1993; Windolf 1989) with this development. Consequently, decentralised bargaining affords employers and unions greater autonomy in defining working time, work organisation, and wages that are suitable to the specific situation of each company. In the case of Sweden, growing difficulties in achieving effective coordination of the

respective bargaining partners and competitive wage pressures amongst unions, led to the decentralisation of its system of collective bargaining in 1990 (OECD 1995b: 36). In France, the Auroux Laws introduced in 1982 transferred negotiations from the industry to the enterprise level, resulting in an increased growth in average earnings above minimum industry wide levels (Lanfranchi and Afssa 1990) and in a greater use of merit based wage increases combined with general increases (Ministere Du Travail 1992). Reform of the Italian bargaining system during the past decade, substituted national level discussions on incomes policy for wage indexation, and established a framework for wage rates at the sectoral level (Protocollo 1993). Italian authorities have now implemented an historic trilateral agreement, which incorporates a national incomes policy, based on wage control.

One effect of the decentralisation of wage bargaining has been an increase in occupational wage disparity in both Italy and Sweden. In Italy, it is argued (Ministero del Lavoro 1987) that occupational wage differentials grew considerably during the 1980s. Likewise, in Sweden, where centralised wage bargaining minimised the wage dispersion among contract groups and blue-collar workers during the 1970s and 1980s (Hibbs 1990) industry bargaining has been associated (Schager 1993) with increasing wage disparity between industries. For example, between 1985 and 1990, the gap in earnings of public sector employees increased from 20 per cent to 28 per cent (Schager 1993).

The economic consequences of various forms of wage bargaining during the past decade are represented by findings of recent research (Calmfors and Driffill 1988a; Heitger 1987; Rowthorn 1992) which indicates that bargaining that is both highly centralised and highly decentralised is consistent with positive macroeconomic performance. Austria and the Nordic countries fall into the former category, the United States into the latter and other European countries including Belgium, France, Germany, Italy and the Netherlands, where bargaining occurs at the industry level are somewhere between the two extremes. Other studies (Calmfors and Driffill 1988b) have shown that

centralised bargaining systems, in which the bargaining power of each party increases with the size of its coverage, produce better results than fragmented systems which are more prone to inflationary increases. In his report on the comparative merits of centralised and decentralised systems of wage bargaining, Calmfors (1993: 39) observes the fundamental role of the historical and institutional environment. For example, the German or Scandinavian co-operative system would not be appropriate in the decentralised, low unionised United States environment, just as the competitive system used in the United States would not function in the German and Scandinavian countries.

The adaptability of wages, working time flexibility, training and workers' mobility are central issues in recently bargained collective agreements (Leonard 1999: 7). Working time flexibility is a particularly significant area of negotiation. While decentralised bargaining enhances firms' potential for adaptability in the organisation of work and employment, it is argued (Leonard 1999: 10) that the consequence for workers is increased segmentation of the workforce, because of the variations in working conditions from one enterprise to the next and from one group of workers to another. Despite the move towards decentralisation of bargaining agreements, in order to give enterprises more adaptability and enhance job creation, recent surveys (Leonard 1999: 10) of such agreements in 15 selected countries show that only 10 in 144 agreements state that more jobs will be created.

Characteristics of a particular industry or service can have a significant impact on negotiations concerning pay and working time, according to the findings of recent research. Investigating the impact of competitive pressures on management's practices in the health, retail, printing and metalworking industries in France, Germany and the United Kingdom, Arrowsmith (2000: 136) shows that differences in industry or services terms are more influential than national institutional frameworks. These findings are based on the theory that managements in a particular sector are subject to common competitive pressures specific to that sector. These pressures produce certain similarities in

outcomes that resemble those in nearby states. In pursuing 'best practice' in their enterprises, managers imitate others in the same field, reducing the diversity within a sector. While this could result in a convergence of substantive employment practices within the existing institutional frameworks, Brown (2000:57) argues that such arrangements will continue to maintain their divergent national characteristics.

Structural reform and a wide range of macroeconomic policies, promoted in all OECD countries as a means of improving the functioning of labour markets have not reduced unemployment in a number of European countries. Unemployment increased in Belgium, Finland, France, Greece and Italy between 1988 and 1998 and in all cases, including Spain unemployment remains above 10 per cent (OECD 2000g: 20, 21). In addition to macroeconomic policy shifts, various business and government sectors promoted welfare reform, aimed at reducing public expenditure on transfer programs during the economic instability of the 1980s and early 1990s.

Restructuring of welfare state policies

Expenditure on social welfare programs has been reviewed in a number of European countries and reform measures have been introduced to reduce the welfare entitlements of those without work and in turn, limit the number of welfare recipients. This process is based on the philosophy (OECD Observer 1996: 3) that public investment in social welfare programs poses joint disincentives to employers in hiring workers and to employees in obtaining both employment and occupational skills. Many recent reforms were inspired by the "conventional wisdom" (Krugman 1994: 23) of mainstream economists that welfare state policies are closely linked to the persistence of a high rate of natural unemployment in many, particularly the larger, European countries. It is argued (Krugman 1994: 28) that the practice of collecting high taxes and redistributing income from such taxes to unemployed and other groups in need of financial support not only creates disincentives for persons seeking

employment, resulting in higher levels of unemployment, it also creates fiscal problems. In this debate, clear distinctions are notable between the traditional European and the United States approaches to public assistance for unemployed persons. The diversity in labour market outcomes in continental European countries belies this conventional wisdom to some extent, since in some of the Nordic countries, which have high replacement rates, particularly Denmark, unemployment is lower than in the United States, with very low replacement rates. See table 7.

Table 7 Labour market characteristics in the European Union and the United States

	WAGE AND INCOME INEQUALITY			BENEFIT GENEROSITY			
	Incidence of low pay (1)	Wage dispersion		Replacement ratio (4)		Summary measure (5)	
		1985-92	Level 1990 (2)	Change since 1980 (3)	1 st year 1991	4 th and 5 th year 1991	Level 1980s	Change since 1960s
Belgium	5.0	2.30	...	50.3	39.3	44.0	9.0
Denmark	...	2.15	0.01	73.0	21.3	52.0	30.0
France	14.0	3.02	-0.06	58.0	18.7	35.0	10.0
Germany	13.0	2.52	-0.15	38.3	23.0	28.0	-2.0
Ireland	18.0	...	...	42.7	21.3	29.0	12.0
Italy	15.0	2.08	-0.04	7.3	0.0	1.0	-0.1
Netherlands	11.0	2.31	...	70.0	27.3	52.0	14.0
Portugal	12.0	2.63	...	65.0	0.0	25.0	25.0
Spain	19.0	...	...	70.0	0.0	33.0	17.0
Average	13.4	2.43	-0.06	52.7	16.8	33.2	12.7
UK	20.0	3.21	0.68	23.0	14.7	19.0	-7.0
US	26.0	5.55	0.75	23.7	5.0	12.0	3.0

- (1) Percentage of full-time workers earning less than 66 per cent of median earnings. The data refer to gross earnings, except for France and Spain (earnings net of social security contributions) and to the period of 1985-92.
- (2) Ratio of gross earnings of a full-time worker belonging to the ninth decile (=high-income earner) to gross earnings of a full-time worker belonging to the first decile (=low-income earner). The data concern male and female workers, except for Italy and the UK (male workers only). Data for 1990, except for Italy (1987), Portugal (1989) and the US (1989).
- (3) Change in level between 1980 and 1990, except for Germany (1981 and 1990).
- (4) Ratio of the unemployment benefit before taxes to previous earnings before taxes. The data concern the first, then fourth and fifth years of unemployment. They are averages for several categories of the unemployed: single people, heads of families and people who earned 2/3 of the average wage. "Benefits" considered include both unemployment insurance benefits and unemployment assistance benefits. The former are of limited duration (except for Belgium for heads of family and single people) and relate to previous earned income (except in the UK). The latter are generally unrelated to previous employment (except in some countries, e.g. Germany). Moreover, they are often of unlimited duration and are means tested. Data refer to 1991.
- (5) The data are averages of the replacement ratios to which several categories of unemployed people (see note 4) are entitled as their spell of unemployment gets longer. These people's replacement ratios have been considered during their first year of unemployment, their second/third year of unemployment and their fourth/fifth year of unemployment.

Source: (Heylen, Goubert, and Omev 1996: 20, 21)

By comparison with North American countries, European nations have a much higher percentage of public social benefits, amounting to more than 90 per cent of all social expenditure (OECD 1999a: 14). Noting the many difficulties of international comparisons of national levels of social expenditure⁶, a recent OECD (1999a: 14) report on this subject states that in terms of gross public social expenditure Sweden, Denmark, Finland, Belgium, Norway, Germany and the Netherlands would be considered strong welfare states. In each of those countries, according to the above ranking, between 33.0 per cent and 26.8 per cent of GDP is committed to social expenditure, compared to the United States and Canada which spend 15.8 and 18.2 per cent respectively (OECD 1999a: 15). See table 8. There are other important differences between social benefits in continental European countries and the United States. In the former case, social benefits are widely distributed throughout the general society, while in the latter case, privately funded social expenditure on health services, which constitute one third of gross social expenditure, is available to those persons in employment who have private health benefits. Revenue returned to governments in the form of taxation on social transfers, taxation on consumption and social policy tax breaks affects the level of net investment in social benefits, since those countries with the highest gross rates of social expenditure, are often the ones in which cash benefits are more heavily taxed (OECD 1999a).

⁶ Many of these difficulties arise from differences in the distribution of social expenditure. For instance, in Western European countries, mandatory private social benefits include employer-provided sickness benefits, while voluntary social benefits incorporate pension benefits, health benefits, disability, and family benefits. In the United States and Canada, on the other hand, private social spending is higher, amounting to one-third of social benefits in the United States. The provision of a publicly funded health system in Italy, Germany and the Scandinavian countries means that the private contribution to health services is insignificant compared to the United States, where it constitutes a very large proportion of voluntary private social expenditure (OECD 1999a).

Table 8 Sample countries ranked according to net social expenditure indicators, 1995

SOCIAL EXPENDITURE	AUS	BEL	CAN	DEN	FIN	GER	IRE	ITALY	NL	NOR	SWE	UK	US
Gross public social expenditure	11	..	10	1	3	5	9	7	6	4	2	8	12
Gross publicly mandated social expenditure	12	6	11	1	3	5	19	8	7	4	2	9	13
Gross total social expenditure	10	..	9	1	3	5	11	7	4	..	2	6	8
Net public social expenditure	9	..	10	4	3	1	12	8	7	6	2	5	11
Net publicly mandated social expenditure	10	2	12	5	4	1	13	9	8	7	3	6	11
Net total social expenditure	9	..	10	7	4	1	11	8	5	..	2	3	6
Non health related social expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross public social expenditure	10	..	11	1	3	6	9	7	5	4	2	8	12
Gross publicly mandated social expenditure	11	5	12	1	3	7	10	8	6	4	2	9	13
Gross total social expenditure	10	...	8	1	3	6	9	7	4	...	2	5	11
Net public social expenditure	9		12	3	2	4	10	6	8	7	1	5	11
Net publicly mandated social expenditure	10	2	13	5	3	4	11	8	9	7	1	6	12
Net total social expenditure	8	...	9	5	2	4	10	7	6	..	1	3	11
Gross public social expenditure	11	..	10	2	1	6	9	5	4	7	3	8	12
Gross publicly mandated social expenditure	12	4	11	2	1	6	10	7	5	8	3	9	13
Gross total social expenditure	10	..	8	2	1	6	9	7	4	..	3	5	11
Net public social expenditure	8	..	10	7	1	2	9	3	6	12	5	4	11
Net publicly mandated social expenditure	9	1	11	8	3	2	10	4	7	13	6	5	12
Net total social expenditure	7	..	8	9	4	2	11	3	5	..	6	1	10

".." indicates that information on gross benefits and/or relevant taxes is not available, so that comparing gross items with net items is impossible.

Source: (OECD 1999a: 32)

Defining the two major conceptions of the welfare state as the voluntarist model and the incorporationist model, Davies (1997: 41) suggests that reform of social democratic welfare systems signifies a return to the voluntarist view of social policy. In this model individual responsibility supported by mutual aid between voluntary parties is promoted. This understanding of the welfare state, also termed the “semi-welfare state” (Katz 1986) has been prominent in the United States, where independence from public welfare is promoted. Individuals are expected to assume total responsibility for their state in life and develop as self-fulfilled citizens, primarily through wage labour, according to Davies (1997: 45). He (Davies 1997: 60) proposes a stark comparison with Western European countries, particularly those based on cooperative principles, which have formulated policies based on a collective responsibility for the well being of all members of society.

The voluntarist perspective is reflected most strongly in reform of the British welfare system where mutual obligation policies emphasising personal responsibility have been emphasised with the aim of enhancing individual independence and self-help opportunities. Under the Thatcher Government’s reforms, this emphasis on individualism conceivably (Boreham, Dow, and Leet 1999: 13) “undervalued notions of social responsibility, community and public interest”. Labour’s Modernisation Agenda that has arguably (Whitfield 2001) pursued the same neo-liberal policies has resulted in a continuation of privatisation, marketisation and a reduction of public expenditure. While this agenda has focussed on improved efficiency and social partnership between the broad community and commercial sectors, it is replacing collective responsibility with a market-based culture of individualism. By contrast with Britain, activation policies introduced in Denmark since 1994 are supported by comparatively high replacement rates and are accompanied by a comprehensive range of public assistance programs.

In this discussion on the transition occurring in the regulation of employment in Western European nations, the trend towards decentralisation of

collective bargaining is a very significant one. This process coincides with the debate concerning the comparative labour market effect of institutionalised wage rigidity and social benefit systems, since it is understood (Dreze and Sneessens 1994; Jackman 1994; Krugman 1994; Wood 1995) that they are responsible for higher unemployment levels in many European countries. At the same time, it has been noted in this analysis of trends in European labour markets, that there is a wide diversity of outcomes between continental European countries. What is more striking is the variation between these European societies and other regions, particularly North America. This diversity is reflected in this instance, in alternative remedies for contemporary labour market problems, represented by increased wage flexibility according to age, experience and skill levels in the United States, compared to the European model of maintaining relative wage rigidity and well-financed social protection programs. Secondly, it is reflected in the extent to which industrial relations systems have been decentralised in various Western European nations and finally in the impact of this development in terms of flexibility of wages and working hours.

In the remainder of this chapter, both the role of social partners and the influence of the European Commission in this process will be analysed. In the former case, powerful historical traditions are flexing under political and economic pressures, and in the latter case, new traditions of regional authority are emerging. These developments represent a new era of European industrial relations, as individual nations and representative organisations within nations adapt to contemporary labour market pressures.

Role of Employer and Labour Organisations in the Reform of Employment Systems

In the light of the preceding discussion concerning structural and policy reform in states seeking to improve international competitiveness, this section will focus on the process of adjustment and innovation in industries, firms and labour organisations. Heightened international competition, technological advances and changes in product markets, which have altered firms organisational requirements have been associated (Ferner and Hyman 1992a: xx) with adjustments at all levels of the workplace. These changes include flexible recruitment and employment arrangements and decentralisation of wage bargaining and workplace decision-making. In all eleven of the advanced economies in Locke's (1995) cross-national review, individual employers are found to have greater discretion in their use of labour. Business representatives continue to demand further supply-side reforms necessary to invigorate and sustain economic growth and decrease inflation and unemployment levels, while employers seek greater enterprise flexibility and the capacity to diversify their managerial policies and practices.

Adaptation of production and employment processes

In a recent study on the interaction between contemporary practices and established traditions, Boyer (1994: 58) correlates the production and employment processes adopted by firms with the institutional framework of individual countries. He defines four major configurations, which entail either defensive or offensive adjustments. As depicted in table 9, page 171, the various strategies create different labour market consequences. For example, the offensive strategy found in Sweden, Austria and Japan, aims at long-term commitment to a particular firm, represented in ongoing modernisation of equipment, innovative work and organisational processes and stable labour contracts. The latter incorporate internal rather than external flexibility, in-firm training and a certain degree of employment security either at the national level,

in social democratic regimes or at the enterprise level in the micro-corporatist Japanese model. Structural competitiveness, which is achieved by upgrading methods and equipment that in turn improve the quality of production, is threatened, especially in social democratic countries, by a slow response to economic shocks. Several features of this model, including public intervention in providing a strong welfare system and active minimum wage policies, are found in the hybrid configuration, which represents European countries including Italy, France and Belgium. Features of the defensive strategy include adversarial industrial relations and a preference for reducing jobs, hours and wages over up-skilling, diversification and product innovation (Boyer 1994: 61). The fact that the defensive and offensive model results in different outcomes regarding technical change, short-run performance and social justice, confirm Boyer's (1994: 61) hypothesis that labour institutions heavily influence growth, competitiveness and employment.

The employment outcomes of strategies adopted in the United States, Canada and in certain respects the United Kingdom, which achieve short run flexibility, include atypical employment arrangements and low wage jobs using obsolete technology. This model has a good record in terms of job creation but a poor record in terms of rising inequalities. Lack of state intervention on minimum wages is complementary to the growth of a large low wage sector, particularly in services. In addition, unemployment of a structural and long-term nature is kept to a medium level by external flexibility, which moderates economic shocks. In the absence of a homogeneous system of national labour regulations, firms tend to respond to real wage increases by relocating to new regions rather than modernising their plant and equipment (Boyer 1994: 60). Flexible production practices and new approaches to human resource management have affected the power sharing relationship between business and labour. This process has further marginalised United States unions, while in many continental European countries unions have arguably (Ferner and Hyman

1992a: xxii) been active participants in increasing the levels of flexibility in the workplace.

Table 9 The correlation between national labour market institutions and the impact of international competition

MODELS	DECENTRALISED DEFENSIVE	DECENTRALISED OFFENSIVE	SOCIAL DEMOCRATIC OFFENSIVE	HYBRID
Institutional setting	<ul style="list-style-type: none"> • Very decentralised bargaining • Declining unions • External and market oriented mobility • Short run and adversarial strategies 	<ul style="list-style-type: none"> • Compromise within large firms • Weak Unions • Substantial internal mobility • Long run and cooperative behaviour 	<ul style="list-style-type: none"> • Highly centralised collective bargaining • Strong and unified • Internal and collectively organised mobility • Founding social democratic compromise 	<ul style="list-style-type: none"> • Intermediate decentralisation (sectors) • Divided and declining • Obstacles to internal mobility, involuntary external mobility • Adversarial industrial relations
Adjustment variables	<ul style="list-style-type: none"> • Lay-offs and employment adjustment • regional mobility • wage dispersion and average over 2-3 years 	<ul style="list-style-type: none"> • Shift from job to job within the firm • Retraining and polyvalence • Bonus wage highly sensitive 	<ul style="list-style-type: none"> • Retraining inside or outside the firm • Subsidised job creation • Average wage variability • Dynamic innovation 	<ul style="list-style-type: none"> • Mainly dismissals, limited internal retraining • Unemployment benefits and subsidies for reconversion • Relative wage rigidity • Rationalisation basis
Employment management	<ul style="list-style-type: none"> • Few jobs tenured • High turnover • Deepening labour market segmentation 	<ul style="list-style-type: none"> • Ideal of long run employment • Low turnover • Dual labour market but spill over effects from large firms 	<ul style="list-style-type: none"> • Homogeneity of labour contracts • Collectively organised mobility • Active employment policy • Full employment commitment 	<ul style="list-style-type: none"> • Ideal of job stability but multiplication of exception to standard contracts • Low turnover • Few active employment policies • Increasing heterogeneity of labour contracts
Examples	UNITED STATES CANADA	JAPAN	SWEDEN AUSTRIA	FRANCE ITALY BELGIUM

Source: (Boyer 1994: 60)

The role of trade unions in the restructuring of employment relations

The response of trade unions to new forms of production and employee relations has differed considerably from country to country (Kochan, Lansbury, and MacDuffie 1997a: 319), as national labour movements have adapted to the structural transformation of the labour force, the changing composition of their organisations and the emerging labour issues confronting their constituents. Some common trends that are evident in continental European nations are related to the degree of institutionalisation of social dialogue. For instance, union membership has increased in some of the Nordic countries including Iceland, Denmark and Norway, while it has declined in most other European states where unions are not incorporated into central organisations as power sharing partners (ILO 1998b). In some of these countries, including France and Germany it is noted (OECD 1995b: 22) that from the outset, collective agreements were negotiated from the basis of rationalising production and engaging in transition at the organisational level. Hence, the current role of unions in negotiating employment issues that arises within a rapidly changing economic environment is strongly influenced by these very dissimilar traditions.

Compared to the United States, union density is very high in continental Europe. In Sweden, for instance 90 per cent of wage and salary earners are unionised, followed by Denmark and Finland with 80 per cent and Norway with 60 per cent union density (Arrowsmith and Sisson 2000: 22; ILO 1998b). Countries where membership is lowest include France, where 9 per cent of wage and salary earners are unionised, followed by Switzerland, the Netherlands and the United Kingdom, where union density amongst wage and salary earners is 22.5, 25.6 and 32.9 per cent respectively (ILO 1998b). The downward trend in union membership, which has been widespread in industrialised nations has according to some analysts (Clarke, Bamber, and Russell 1998: 299), been accompanied by a reduction of the political influence of trade unions. The wage effect of unionisation in this region remains insignificant however, particularly by comparison with other countries. In the decentralised United States case for

instance, the unionisation wage effect is 20 per cent, compared to 10 per cent in the United Kingdom and 5 per cent in Switzerland (Blanchflower and Freeman 1992). In the case of Italy, the relative strength of local unions, plus the existence of an enterprise agreement increases wage levels (OECD 1995b: 10).

Initiatives by employer and labour associations to adjust to structural changes in the global economy have been accompanied by shifts in almost all micro and macroeconomic policy areas. Regional economic integration adds a further dimension to policy developments in member states of the European Union, where regional priorities are accompanied by recommendations and subsequent review of their implementation. The European Employment Strategy is a pertinent example of this process, since the European Council develops annual guidelines for member states to incorporate into their annual National Action Plans. National Action Plans specify how recommendations under the four pillars of the European Employment Strategy will be implemented in member states. The discussion now turns to the development of social policy in the European Union, particularly in relation to aspects that are relevant to this thesis.

European Union

The foundation for European economic and political integration was laid in May 1948 in the Hague with a resolution intended to guarantee security and social progress for member states (Nugent 1994: 449). Coinciding with the formation of the Organisation for European Economic Cooperation (OEEC) in April of that year, this resolution initiated social, cultural and economic co-operation between the sixteen states, which had accepted American financial aid under the 1947 Marshall Plan. The evolution of European unity, which is described (Brown 2000: 54) as a major political strategy to avoid further wars that had ravaged European society for countless years, was supported by the goal of

economic unity⁷. By the 1990s, any barriers to the cross border flow of labour, capital, goods and services had been removed, and by 1999, the economic integration of the region with a common currency was complete (Keller 2000). With a current membership of fifteen states, the most recent members are Austria, Finland and Sweden, while ten associated countries of central and eastern Europe including Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, the Czech Republic, Romania, Slovakia and Slovenia are seeking full membership.

Member countries of the European Union have not only formed a new alliance with each other, but have been incorporated into a supranational power structure, governed by the executive branch of the European Union, the European Commission. In this structure, the standardisation of markets, currencies, employment practices and business conditions impacts on national institutions and systems as well as multinational commercial bodies. For instance, national macroeconomic, employment and social policies are now subject to annual review by various European Union agencies. In a unique balancing act, basic minimum standards formulated at the supranational level co-exist with traditional practices, institutions and customs in respective countries, since the mid 1980s when it became clear that establishing minimum standards appeared more appropriate than legal directives. By 1990, it was considered more pragmatic to implement responses to European Union policies at the enterprise, sectoral or national level rather than the supranational level (Brown 2000: 55).

The first coordinated attempt to address employment issues was the Standing Employment Committee, formed in 1970 of members of the European

⁷ Further developments in the process of regional integration included the Statute of Council of Europe in 1949, the European Coal and Steel Community Treaty (ECSC) in 1951, European Defence Community (EDC) in 1952, the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) in the 1957 Treaty of Rome, the European Free Trade Association in 1960 (Nugent 1994: 449, 450). In 1960, the Organisation of Economic Development (OECD) replaced the Organisation for European Economic Cooperation and included the United States and Canada (Nugent 1994: 449, 450).

Commission, Ministers of Labour and social partners. In 1985, the European Social Dialogue or 'joint opinions' regarding employment-related issues was launched by Commission President, Jacques Delors (Goetschy 1999: 2). Finally, in the 1992 Treaty on European Union, several articles addressed employment, specifying Commission initiatives to promote cooperation between member states, substantial funding from the European Social Fund and the relationship between vocational training and labour market opportunities (Goetschy 1999: 2). In conjunction with the 1994 'White Paper' on growth, competitiveness and employment the Essen European Council, in the same year, defined a European strategy for employment. In addition to this strategy, recommendations governing employee participation in workplace negotiations and the coordinated approach to vocational education and training, are strong examples of the European Union's attempt to assist member countries improve both the operation of labour markets and the opportunities of their participants. Together these initiatives advance the objective established at the Lisbon European Council Meeting, of re-instating full employment as a high priority of European employment and social policy.

The European Employment Strategy

In an historic first meeting of the European Council convened specifically to address the problem of unemployment, the 1997 Luxembourg Employment Summit, the new provisions of the Employment Title of the Treaty were implemented. (European Foundation for the Improvement of Living and Working Conditions 1997: 1). Under the Employment Guidelines issued at the Luxembourg Jobs Summit the following year, member states represented by governments and social partners were required to negotiate employment issues affecting their respective countries. Guidelines provided by the European Commission are organised under the four 'pillars' of *employability*, *developing entrepreneurship*, *encouraging adaptability in businesses and their employees*, and *strengthening policies for equal opportunities* (The European Commission

1997a: 1). Finally, at the 2000 Lisbon European Council Meeting employment, economic reform and social cohesion were emphasised as the cornerstones of a knowledge-based society. New priorities that have been emphasised in the Lisbon and Feira Councils concern the role of social partners and lifelong learning in facilitating the European Unions' goal of becoming

the most competitive and dynamic knowledge based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. The attainment of this goal will enable the Union to regain the conditions of full employment (Commission of the European Communities 2000a: 5).

In order to achieve these goals, the employment guidelines provide comprehensive recommendations that apply to a broad range of areas. The original 1998 employment guidelines, for instance, emphasised the importance of sustained macroeconomic stability and the need to coordinate all economic policies (European Foundation for the Improvement of Living and Working Conditions 1997: 4). In the 2000 and 2001 guidelines, social benefit, tax and training systems, which were targeted for review and refocus under the original guidelines, were again addressed. Member states are exhorted to expand on reforms already undertaken, removing poverty traps, providing incentives for unemployed persons to find employment and increasing the budgetary commitment to active measures as a means of expanding the proportion of persons with access to these measures (Commission of the European Communities 2000a: 10). States are encouraged to continue modernising their Public Employment Services and their relationship with other service providers to ensure that their strategies of prevention and activation are as efficient as possible (Commission of the European Communities 2000a: 10). Reform of taxation systems to make them more user friendly for employers is recommended to reverse the long-term trend towards higher taxes and charges on labour, which has increased from 35 per cent in 1980 to 42 per cent in 1995 (Commission of the European Communities 2000b: 9).

Annually reviewed guidelines are applied in National Action Plans prepared in consultation with social partners, who are encouraged to upgrade their participation in the implementation of the employment guidelines and to identify any employment issues that may need special attention. The European Commission prepares an annual Joint Employment Report, which includes an evaluation of member states application of the guidelines from the previous year, and Employment Guidelines and country specific recommendations for the following year (Commission of the European Communities 2000a: 2). These submissions are presented annually to the autumn European Council for ratification. In addition to initiatives to reduce unemployment, improving employment conditions in member states has been promoted by regional authorities, since this issue was addressed in broad Economic Policy Guidelines for structural reforms preceding Economic Monetary Union (Commission of the European Communities 2000a: 2). Recommendations for achieving this goal include an increase in the level of representation of employees at the enterprise level.

Employee representation in enterprise bargaining and Works Councils

Two major areas of employment regulation that have been promoted by regional authorities intent on enhancing standards of employment, include decentralised wage bargaining and the introduction of works councils. In the original Treaty on European Union, member states were encouraged to adopt decentralised rather than centralised bargaining processes, and where possible to increase the flexibility of regulation processes by negotiating voluntary agreements rather than relying on legislation (Keller 2000: 36). This recommendation corresponds with an OECD (1995b: 8) perspective that the use of collective agreements to raise wage rates above the competitive level and to reduce wage dispersion has resulted in a negative effect on employment levels. Attempts by unions to reduce wage disparity by increasing wage rates of low-paid workers and establishing equality of payment within occupational groupings regardless of

productivity differences have, it is argued (OECD 1995b) adversely affected employment⁸.

In another significant initiative, the 1994 Directive on the Establishment of a European Works Council recommended the implementation of enterprise based employee representation structures. This recommendation applies to approximately 1500 Multi-National enterprises, including those with over 1000 employees in the European Union, or 150 employees in two or more member states (Keller 2000: 39). As in the case of decentralised wage bargaining, the introduction of works councils is intended to improve employment levels, since they facilitate management/employee co-operation. According to a recent OECD (1995b: 7) report on the employment outcomes of joint regulation, it is argued that procedural rules defined under the new European Union regulative framework, result in higher levels of employment than substantive rules governing rates of pay and conditions of employment, which result in lower levels of enterprise efficiency.

The introduction of common guidelines for employment regulation has been met with sufficient disquiet to lead to the modification of the original goal of harmonising the labour standards of all member countries. Since the mid 1980s this goal was replaced by a process of recommending minimum standards at the EU level, the implementation of which can occur according to the means and methods deemed most appropriate at the national, sectoral and enterprise level (Keller 2000: 36). The vast differences between the economic and employment structures of the northern and southern member states, which are evident in different cost configurations, institutional frameworks, labour and social standards, socio-economic practices and customs have prompted this change. In addition, concerns regarding the growth of wage disparity between the low-wage Mediterranean countries and the rest of the member states have

⁸ The role of unions during the 1960s and 1970s in increasing wage levels of young and unskilled workers, without complementary efforts to increase their skill levels is considered (OECD 1995b: 11) to have reduced their employment opportunities from the 1970s onwards.

resulted in members of the European Parliament, trade unions and academics restating the importance of developing social policy and structural funds that support social development (Keller 2000: 33).

Social dialogue

Increasing the practice of social partnership for mutually beneficial purposes is comprehensible in the context of the long tradition of social dialogue in this region. Since the initial steps towards Economic Monetary Union, social partners have participated in developing joint opinions on broad macroeconomic issues, as well as matters affecting employment regulation, vocational education and training and strategies for life-long learning. In the new European Union regulatory framework, existing tri-partite regulatory groups of either a formal or a voluntary nature were replaced by new social dialogue, under the Commission's Communication, *Adapting and promoting Social Dialogue at the Community Level* (Keller 2000: 37). In addition, certain national trade union federations have entered into joint agreements on cross-national co-operation with other national confederations in the same sector to maintain labour standards in their respective countries⁹ (Arrowsmith and Sisson 2000).

Social dialogue is an important element in the European Employment Strategy since social partners are involved at all levels of the planning and implementation stages of the process. There is a wide diversity however, in the level of participation by trade unions and employers in the negotiation process. For example, in a number of countries the national action plan has been developed unilaterally. In those societies where consultation on economic and social policies pre-existed with some degree of success, the recommended processes of social partnership have been more effective (Leonard 1999: 4).

⁹ The European Metalworkers' Federation have initiated inter-regional collective bargaining with members in Austria, Germany, the Czech Republic, Hungary, Slovakia and Slovenia. While other major unions are introducing a similar process, it appears that negotiation over critical issues, including wages and working time, will remain within the domestic sphere (Arrowsmith and Sisson 2000: 139).

These countries include Finland, Ireland, Norway and the Netherlands, where social and economic issues have been negotiated at a national level, and countries with tri-partite bargaining processes, including Austria, Denmark and Luxemburg. Social dialogue has been prioritised by the European Commission's recommendations concerning active labour market policies and vocational education and training.

Vocational education and training

The involvement of social partners is integral to the implementation of strategies of life-long learning, which help workers acquire new skills and update existing ones. Likewise, they have a prominent role in ensuring that education at an initial, secondary and tertiary level improves the skills and employment opportunities of young people. Specific steps are recommended for states in collaboration with social partners to develop job-matching services, and remove bottlenecks by promoting occupational and geographic mobility and addressing skill shortages (Commission of the European Communities 2000a: 12).

Sustained efforts to reduce youth unemployment and long-term unemployment, both intransigent aspects of European unemployment, have been prioritised under the *Improving Employability* pillar of the European Employment Strategy. For example, according to the 2001 recommendations of the European Council member states are required to offer training, retraining, work practice, employment or relevant vocational guidance and counselling to unemployed young people after six months, and after twelve months for adults (Commission of the European Communities 2000a: 10). The guidelines recommend that the quality of education and training systems at all levels should be improved and apprenticeship systems should be modernised, to ensure that young people are equipped with relevant skills for the knowledge based labour market. Furthermore, by 2010 member states are exhorted to eradicate illiteracy, to reduce the number of early school leavers and to halve the number of 18-24 year olds who have left lower secondary education without further

education and training (Commission of the European Communities 2000a: 11). A special Youth Program facilitates the education and training of 18-25 year old youth by funding local initiatives that target disadvantaged youth, as well as exchange activities and voluntary service within and beyond European Union countries (The European Commission 2000c: 28).

A number of specific programs have been designed to facilitate geographic mobility for workers seeking employment and training within the European Union. The Socrates education program promotes the acquisition of recognised qualifications and skills, including language as well as the use of information and communication technologies in education (The European Commission 2000f: 2). Transnational co-operation is promoted through the Leonardo Da Vinci Programme, which focuses on developing “quality, innovation and the European dimension in vocational training systems and practices” (The European Commission 2000d).

A co-ordinated strategy for increasing employment opportunities, improving the conditions of employment and the education and skills of the workforce is identified in this analysis of the employment impact of regional integration. In their annual National Action Plans, member states are required to set national targets that not only raise the rate of employment, but take into account the quality of jobs created. These plans are part of a comprehensive strategy, which is based on macroeconomic policy and structural reforms aimed at creating flexible and adaptable labour markets. Competitiveness and innovation is supported by welfare state policies that uphold participation, social inclusion and human resource development (Commission of the European Communities 2000a: 8). From the outset, the European Employment Strategy has been underpinned by the political commitment of participating states to work with social partners in pursuing labour market, vocational education and tax reforms and to reduce the incidence of discrimination and marginalisation in European labour markets. Notwithstanding the dissension expressed by representatives of the labour movement, other practitioners, certain politicians

and academics concerning the threat to labour standards particularly in high-skill, high-wage countries, the European Union has produced a unique model for harmonising social, economic and employment policy. Its evolution, while quite extraordinary in light of the vast national differences between member states, is consistent with the distinctive characteristics that are embedded in the traditions of this region.

Conclusion

Labour market outcomes in continental European countries are far from uniform in themselves, but they share more similarities within the region, than with labour markets of other regions, particularly North America. On the other hand, recent reform of employment relations, social welfare and labour market programs, education and vocational training in the European Union countries parallels trends that are occurring in other OECD countries. In the analysis undertaken in this thesis of the way industrialised market economies are regulating their labour market institutions to achieve improved economic and employment effects, a general picture emerges. This is not remarkable in the sense that nations are subject to similar global demands. They are at the same time, answerable to the exigencies of the national polity, which entrusts political and economic decisions to their elected representatives.

Throughout the course of this analysis, it has been demonstrated that different national labour markets are undergoing a range of comparable modifications in the face of common external forces. It has become apparent in this study that the employment effects occurring in individual nations with their unique history, social norms and expectations are far from homogeneous. So broad are the differentials that some authors (Lind and Moller 1999a: 228) have been prompted to conclude that national differences are more evident than “Europeanisation”. This chapter has focussed on identifying similarities and differences that persist between the countries of continental Europe, with their shared origins and more recently, their integration into an economic zone. It has

also focussed on drawing broad comparisons between the approaches applied to labour market problems in the European model as it contrasts with the United States. Some of the major differences and their origins are summarised herewith.

The influence of social democratic principles on European employment practices is clearly distinguishable, despite the different historical traditions identified in this chapter. This influence becomes more apparent by comparison with the labour market outcomes produced by the neo-liberal agenda followed in the United States. It is responsible, for instance, for the higher than average investment in social programs, which escalate in certain Nordic countries where such traditions are stronger. It is evident in the involvement of social partners in determining social and economic policies, which likewise increases in those countries with an adherence to social dialogue. It is apparent in the priorities, directions and recommendations promoted by the European Union in ways that are variously palatable in member countries, but may not receive the same support in the United States or Canada.

This examination of labour market developments in a group of countries that have recently become integrated at a political and economic level is extremely significant in the context of this thesis. Priorities established at a supranational level are translated into recommendations that are systematically promoted and their implementation evaluated. Attempts to support this process are evident. At the same time, member states themselves and representative organisations within them reflect institutional, legislative and ethical opposition to certain aspects of this process. In a similar way as firms and unions are modifying their practices to accommodate the demands of internationally competitive markets, there are independent national responses to the convergence demands of economic integration.

In the next two chapters, the issues raised here will be explored in more depth in two individual countries, where these matters are of considerable

relevance, since in Italy and Denmark social democratic traditions that characterise this region have produced quite different labour market outcomes. The variations between nations that have been identified in this chapter are reflected quite poignantly in a comparison of two different states, despite their shared political traditions and regional influences. Evidence from this analysis supports the underlying claim of this thesis, i.e. that labour markets in various industrialised economies are assimilating the impact of global economic demands in a variety of ways. Secondly, a range of distinctive national characteristics determines the manner in which such societies are attempting to refine institutional and policy instruments to expedite labour market consequences that are in the best interests of their members.

Chapter 6

A Case Study of the Paradoxical Italian Labour Market

Introduction

At the heart of the complex issues that this thesis is exploring is the labour market, because it is one sector of modern industrialising societies that is most vulnerable to shifts in investment, production and trade and the use of new information and communication technologies. Empirical research that forms the basis of this chapter provides a profound insight into employment developments in one of the largest OECD economies, which has experienced the full force of the labour market effects of economic globalisation, namely high unemployment. The Italian labour market manifests a number of the more stubborn problems being experienced in Western Europe and in this respect, it provides a direct contrast to the other European case study on the successful Danish labour market.

The intransigence of Italian employment problems is reflected most strongly in high levels of structural unemployment, which have increased steadily and persistently since the early 1970s. Long-term unemployment, which is 59.6 per cent of total unemployment, is higher than in any other OECD country, while youth unemployment of 34.05 per cent and total unemployment of 12.2 per cent, is exceeded only by Spain (OECD 2000g: 19, 20). Since

the mid 1980s, unemployment in Italy has been above 10 per cent and rising (OECD 1998b: 8), whereas it decreased in a number of other countries. In the ten years prior to 1998, unemployment fell in Denmark, Ireland, the Netherlands, Portugal, Spain, Turkey, the United Kingdom and the United States and remained stable in Norway (OECD 2000g: 20, 21).

The Italian labour market is regarded as one of the more regulated of all OECD countries, however it is structured in such a way that certain segments of it incorporate high levels of numerical flexibility. The co-existence of labour market rigidities and labour market flexibility is illustrated by the large degree of regulations governing work organisation, labour costs, and restrictions on hiring and firing in the general labour market as opposed to the wide-ranging flexibility in small and medium-sized agricultural and commercial enterprises and in the ‘black economy’. High levels of flexibility are evident in the southern agricultural regions where unemployment is disproportionately high and productivity relatively low, as well as in the highly successful districts of the northeast-central regions where manufacturing and tourism flourishes. Known as the ‘Third Italy’ these provinces have established prosperous niche markets for their value-added merchandise (Piore and Sabel 1984; Storper 1995). This case study examines the environment in which employers in collaboration with trade unions and labour institutions have introduced innovative work practices, employment strategies and versatile technology. Analysis of the evolution of the decentralisation of employment regulations (Bamber and Lansbury 1998: 24; Negrelli and Santi 1990: 178) reveals that the social partners have actively supported a shift from national collective agreements to regional and local agreements as a means of increasing the supply of skilled labour.

Despite ongoing political instability and the wide social, economic and cultural disparities that characterise Italian society, common features of the Italian response to labour market problems are evident in this case study. While employment problems associated with low levels of average annual GDP growth increased the level of conflict between the two parties of the employment

contract during the 1970s and 1980s, institutionalised social dialogue at the enterprise, sectoral and national level has been strengthened during the past decade. A number of labour market outcomes that are commonly linked with economic globalisation which are noted in relation to other industrialised market economies, including employment and income insecurity have not been quite as evident in Italy. While measures designed to increase workplace flexibility lessened the job security of workers in other OECD countries, Cebrian (2000: 5) argues that in Italy workplace stability received more attention under legislative and contractual measures. By comparison with many other OECD countries, earnings inequality declined during most of the 1980s (Lucifora 1998: 186). Wage subsidies support seasonal workers in the off-season and special associations have been formed to represent workers in non-standard employment. These and certain other strategies for addressing labour market issues that are specific to the tourism and hospitality industry will be explored in an investigation of initiatives developed in two of the high tourism regions of Emilia-Romagna and Veneto. Before identifying the more significant national labour market trends in more detail, this chapter begins with a short outline of recent economic developments.

Economic Factors

As a late industrialising country, the Italian economy depended on agriculture and public utilities until the beginning of textile manufacturing in the central and northern regions, around 1900. Since that time it has been transformed into a successful modern economy. Italian society is now described as “innovative” (Ferner and Hyman 1992b: 526), its small industries as “flexible” (Ferner and Hyman 1992b: 527) and its industrial relations system as “adaptable” (Negrelli and Santi 1990: 192). Small firms in successful manufacturing regions that use highly flexible methods of work, technology and marketing to enhance economic performance have become an exemplar of a new industrial model, according to some authors (Kern and Pichierri 1995: 150; Negrelli and Santi 1990: 162;

Regalia and Regini 1998: 461). According to other commentators (Christofides 1996: 102), the inflexibility of labour market institutions has rendered the Italian economy less responsive to macroeconomic shocks. Christofides (1996) argues that small firms of less than 15 employees, which are exempt from many employment regulations have adapted relatively successfully to shifts in demand, while larger enterprises have been inhibited in their attempts to adjust to changes in the economy.

The source of contemporary labour market problems is linked with the recession in 1964-65, when rapid economic growth during the previous decade, which resulted in GDP growth of 6 per cent and industrial production of 9.4 per cent per annum, ended (Industrial Democracy in Europe 1981: 200). The rise in unemployment coincided with adverse macroeconomic shocks, represented by a decline in capital accumulation during 1970, a fall in the real GDP growth rate (Christofides 1996: 98), and serious balance of payment problems (Industrial Democracy in Europe 1981: 200). Despite a surge in economic growth in the first half of the 1980s, when GDP, private and public consumption increased and inflation fell (Negrelli and Santi 1990: 157), imbalances in the labour market have persisted. An average annual real increase in GDP of 1.2 per cent between 1995 and 1999 is the second lowest in the OECD even though domestic and external demand has increased since mid 1999 (OECD 2000g: 78). The declining trend growth rate, which was a marked slowdown on 1980 growth, was also much greater than in other countries in the European Monetary Union (European Commission 1999: xi).

GDP growth is projected to be 2.75 per cent in 2000, and with historically low real interest rates and moderate wage gains, consumer price inflation is expected to fall to 2 per cent by 2002 (OECD 2000f). While the weak euro has increased export demand, sales within the euro area have been slow and a strong increase in real imports has reduced the trade surplus, leading to worsening terms of trade (OECD 2000f). Decreases in the general government structural deficit to 2.8 per cent of GDP are considered (European

Commission 1999: xi; OECD 2000b: 10) a positive outcome of targets imposed by the Maastricht Treaty. According to these targets, it is expected (OECD 2000b: 10) that the Maastricht debt/GDP ratio of 60 per cent can be reached by 2017. Unlike other EU countries, which have reduced their deficits by reducing expenditure, Italy has relied on tax increases to achieve fiscal consolidation.

Sectors that are performing above average in the current climate include the textile industry and the tourism and hospitality industry. In comparison with other industrialised countries, where output in the textile industry was falling (Bull, Szarka, and Pitt 1995: 123), Italy increased production during the 1980s by 15 per cent. With a market share of 11 per cent, it is the world's leading exporter of clothing (Faini and Heimler 1991). This factor has contributed to an increase in industrial production since mid 1999, largely as a result of an increase in real merchandise exports of 9 per cent (OECD 2000f). Likewise, the tourism and hospitality industry generates a significant source of national income and employment. The World Tourism Organisation (1999: 5) predicts that by the year 2020 Italy will have 3.4 per cent of the market share of global tourism and an annual growth rate of 2.1 per cent in the twenty-five years to 2020. Labour market trends in this industry parallel those in the broader labour market, which is characterised by the same level of diversity that pervades all aspects of Italian society. Some of the more striking labour market trends are identified in the following section.

Labour Market Trends

As one of the larger members of the European Union, with a population of 57 million, Italy's employment rate is almost 10 percentage points below the EU average (The European Commission 2000b: 6). Its labour market therefore is characterised by low participation rates, which are associated with low female labour force participation rates, decreasing population rates¹ and an ageing

¹ Italy has the lowest fertility rate in the OECD, equal to Spain and the Czech Republic (OECD 2000g: 10, 11).

workforce. Small increases in employment of 1.4 per cent in 1999 have not been sufficient to redress structural problems in the labour market (European Foundation for the Improvement of Living and Working Conditions 2000a). A number of these problems are discussed in this section, which incorporates some of the common explanations for trends occurring in the contemporary labour market.

Regional diversity

Italy's labour market problems are concentrated in the southern regions, which register the highest unemployment rates in the European Union. The employment/population ratio rate is less than 30 per cent, by comparison with 35 per cent in the centre and 41 per cent in the north (Valli 2000: 1). The extraordinary disparity between regions is represented by the fact that in 1999, unemployment was 28.7 per cent in the region of Calabria in the underdeveloped south compared to 3.9 per cent in Trentino-Alto Adige in the industrialised north (Behrens 1999: 2). The highest level of female unemployment in the European Union is in the region of Calabria, where it is 41.4 per cent compared to 5.6 per cent in Trentino-Alto Adige (Behrens 1999: 5).

Youth unemployment is another manifestation of the severity of labour market problems in Italy generally and particularly in the southern regions. Higher rates of youth unemployment are registered in more regions in Italy than in any other country in the European Union. See table 10. Once again, the regions of Calabria and Trentino-Alto Adige are at each end of the scale, registering 65.2 per cent youth unemployment in the former case and 7.4 per cent in the latter case. Corresponding with these figures is the decrease in the comparatively low employment to population ratio for 15 to 24 year old youth from 30 to 28 per cent between 1985 and 1996 (OECD 1998b: 18). While low-skilled service sector jobs absorb a large percentage of United States workers who would otherwise be unemployed, a relatively high proportion of employment in this sector has not solved the Italian employment crisis.

Table 10 Regions in the European Union with the highest and lowest rates of youth unemployment, 1999

REGION	COUNTRY	YOUTH UNEMPLOYMENT RATE
Niederosterreich	Austria	3.5
Utrecht	The Netherlands	3.5
Berkshire, Bucks & Oxfordshire	UK	3.8
Oberbayern	Denmark	3.9
Oberosterreich	Austria	3.9
Flevoland	The Netherlands	4.2
Ceuta Melilla	Spain	52.2
Basilicata	Italy	52.8
Sardegna	Italy	56.7
Campania	Italy	60.9
Calabria	Italy	65.2

Source: (Behrens 1999: 3)

Prevalence of low-skilled service sector employment

While there are a relatively large percentage of high-skilled positions in the manufacturing industry, there is a much higher proportion of blue-collar low-skilled employment in the service sector, by comparison with the United States² (OECD 1998c: 12, 13). Even though employment in the industrial sector is comparatively large, amounting to 32 per cent of total employment (Pellegrini 1998: 145) it provides considerably less employment compared with the service sector, which accounts for 60 per cent of total employment. Consequently, the incidence of low-skilled white or blue-collar positions is more prevalent than in many other OECD countries. Studies on the nature of low-skilled jobs (CERC 1992: 53) note that they are generally low-paid jobs with a high turnover rate in small enterprises in labour intensive industries such as hospitality and tourism. For instance, as a contribution to total employment, employment in wholesale and retail trade, restaurants and hotels constitutes 20.1 per cent, marginally above employment in education, health, social work and other services (OECD 1998c: 32). As illustrated in table 11, a large proportion of jobs in the hotel and

² Sixty one per cent of manufacturing jobs in Italy are high-skilled positions and 39 per cent are low-skilled, compared to 40 per cent and 60 per cent respectively, in the United States (OECD 1998c: 12, 13). In the service sector, there is a similar percentage of blue and white collar low-skilled jobs in each country, amounting to 59 per cent in Italy and 65 per cent in the United States.

restaurant sector are held by women working as cooks, waitresses or domestic service (OECD 1998a: 10).

Table 11 Job categories in the Italian accommodation sector, distributed by gender

JOB CATEGORY	FEMALE %	MALE %	TOTAL %
Managers	47	53	100
Personnel administrators	65	35	100
Cooks and chefs	60	40	100
Chambermaids and waiters	60	40	100
Bar-tenders	23	67	100
Porters	11	89	100
Maintenance	5	95	100

Source: (Mackun 1998: 267)

Combined with the generally high incidence of low-skilled employment in the tourism and hospitality industry, its seasonal nature, the prevalence of undeclared work³ and the structure of employment, increase the propensity for precarious, low-paid employment in this sector. Seasonal employment that is heavily concentrated in Rimini, on the Adriatic Coast for instance accounts for a huge increase in jobs during the high season⁴. Much of this employment is undeclared and results in a large lump sum payment regardless of the actual number of hours worked or agreed upon in the original contract⁵. In certain occupations, including chefs and cooks all employees, including seasonal workers have sufficient bargaining power to negotiate wages that are higher than the national agreement⁶. These highly flexible employment arrangements

³ Workers employed in the hotel and restaurant sector supplement their regular salary with a second job during the year and/or in the low season. One chef of 22 years stated that he earns the equivalent salary in one weekend in a job that is not legally recognised as he earns in one month in his regular job (Guido 2000, pers. comm., May 10th).

⁴ It is estimated that the labour market swells by 200,000 jobs each summer. The majority of these jobs are in hotels and restaurants where seasonal labour demand is met by workers extending their hours from the average of 170 hours/month, to 300 hours/month. (Martinese, Guglielmo Walter 2000, pers comm., May 11th).

⁵ "Marco" 2000 pers. comm., May 11th.

⁶ Visentin, Alessandro 2000, pers. comm., May 23rd. According to Ceccarelli, Dario (2000, pers. comm., May 3rd), the level of occupational demand and the large degree of geographical mobility afforded by seasonal employment negates the need for union negotiations to improve

are closely associated with an industrial structure, which incorporates a very large percentage of small and medium sized firms.

Propensity of small and medium sized firms

The long tradition of family members working in small agricultural or commercial enterprises has affected the nature of the labour market and the economy itself. The large network of predominantly family owned and operated small and medium sized firms is considered in some quarters (OECD 2000b: 19) as one of the relative strengths of the economy, because of the high levels of flexibility that are associated with such enterprises. Employment practices in smaller establishments tend to be more flexible, a custom that is accentuated by the large number of persons working without payment for members of their family. While this figure has declined in the past 15 years, it is understood (Yeandle 1999: 157), that between 6 and 9 per cent of females, or 1 in 25 of the economically active population, is still attached to the labour market in this way.

With less restrictive immigration policies than neighbouring countries, Italy continues to attract large numbers of refugees from all parts of Europe, the Middle East, Africa and Asia⁷, many of whom enter the labour market in clandestine, unskilled employment. A large percentage of this influx finds employment with small companies and family businesses, particularly in the services sector (Donadio 1999). It has been estimated that in the tourism industry alone at least 500,000 additional persons are working in unregistered, clandestine employment in hotels and restaurants⁸. Since taxes are paid by

their conditions. Unions on the other hand are less able to make contact with such mobile workers.

⁷ In recent reports (Eden 2001), boatloads of 500 or more refugees are arriving by sea. A recent influx of Kurds, Sri Lankans, Iraqis, Iranians and Turks has prompted the Italian Interior Minister Enzo Bianco to ask the Turkish Government to reduce the flight of illegal immigrants.

⁸ Illegally employed migrants from Third World countries including the Philippines, Ethiopia are particularly prevalent in the hotel and restaurant sector in large cities (King 1991: 77). More recently, a huge influx of Eastern European immigrants, as well as workers from North

neither employer nor employee, workers who participate in “undeclared”, “clandestine” or “black labour” have neither employment security nor employment benefits (Townsend 1997: 19). While it is a complicated exercise defining the categories of “undeclared” workers and estimating actual numbers⁹, they are arguably (Negrelli and Santi 1990: 161) a growing phenomena, which include millions of workers who are counted in the official statistics as unemployed. According to some estimates (Ferner and Hyman 1992b: 529; Negrelli and Santi 1990: 161) black labour provided by irregularly employed persons, dual-job holders, part-time or seasonal workers, moonlighters and illegal immigrants amounted to 20 per cent of national employment in 1980¹⁰. Other estimates (Pellegrini 1998: 145) calculate that this form of employment is 30 per cent of GDP. When linked with the large percentage of people working informally in family enterprises, these factors create a complex mix of employment arrangements, which are difficult to quantify in official statistics.

Africa, Pakistan, Sri Lanka, Bangladesh has added to the supply of illegal labour (Sforza, Guisepe 2000, pers. comm., May 23rd).

⁹ New methods of collecting statistical data have been adopted by Istituto Nazionale Di Statistica, including survey questions based on whether a person receives an income instead of where persons are employed, but respondents are well aware that this is directed at revealing undeclared labour and avoid the question (Valli, Vittorio 2000, pers. comm., May 5th).

¹⁰ Restrictions on hiring and firing of employees, particularly the legal obligation for employers to select new employees from the list of unemployed persons is understood by some analysts to have contributed to the prevalence of black labour (Follis, Massimo 2000, pers. comm., April 20th.) Other authors (Angeloni et al. 1999: 96) suggest that high rates of taxation and social security contributions are responsible for high levels of undeclared employment.

Table 12 Rates of part-time employment and self-employment as a percentage of total employment in OECD countries

	PART-TIME EMPLOYMENT (1) AS % OF TOTAL EMPLOYMENT						FEMALE PART-TIME EMPLOYMENT % OF TOTAL PART-TIME EMPLOYMENT		SELF-EMPLOYMENT % OF TOTAL EMPLOYMENT	
	Total		Men		Women					
	1998	1988	1998	1988	1998	1988	1998	1988	1998	1988
Australia	25.9a	21.5a	14.4a	9.9a	40.7a	38.4a	68.6a	72.4a	13.5	15.2
Austria	11.5	..	2.7	..	22.8	..	86.9	..	10.7	10.4
Belgium	16.3	13.2	4.9	4.7	32.2	27.7	82.4	77.6	15.0	14.0
Canada	18.9	16.8	10.6	8.7	28.8	27.4	69.7	70.9	17.1f	8.9
Czech Rep	3.3	..	1.7	..	5.4	..	70.0	..	13.1	..
Denmark	17.0	19.0	9.8	8.6	25.4	31.4	68.7	75.2	8.2	8.8
Finland	9.6a	7.4a	6.7a	4.5a	13.0a	10.5a	63.8a	68.4a	13.5	14.0
France	14.8	12.3	5.8	4.9	25.0	21.8	79.3	78.0	10.8	14.8
Germany	16.6	11.4d	4.6	1.8d	32.4	26.4d	84.1	90.5d	9.9	8.7d
Greece	9.0	6.9	5.3	4.0	15.4	12.4	63.1	62.5	33.1	35.2
Hungary	3.4	..	1.9	..	5.0	..	69.2	..	12.5	..
Iceland	23.2	..	9.8	..	38.6	..	77.4	..	17.6	15.2
Ireland	18.0	9.3	8.2	4.3	31.2	19.4	73.6	69.6	18.8	22.4
Italy	11.2	8.3	4.9	3.7	22.4	17.3	71.9	69.8	23.8	23.9
Japan	23.6a b	16.9a b	12.9a b	7.6a b	39.0a b	30.9a b	67.5ab	73.2ab	11.7	15.1
Korea	6.8a	5.2ae	5.1a	3.8ae	9.2a	7.3ae	54.8a	57.2ae	28.8	30.2
Luxembourg	12.8	7.1	2.6	1.3	29.6	18.3	87.3	88.3	7.3g	10.3
Mexico	15.0	..	8.2	..	28.3	..	63.5	..	29.3	..
Netherlands	30.0	26.9	12.4	12.8	54.8	51.2	75.8	69.9	10.9	9.5
New Zealand	22.8	18.1	10.6	6.6	37.6	33.7	74.3	78.9	19.4	9.3
Norway	20.8	21.8e	7.9	6.3e	35.9	40.8e	79.6	83.9e	7.7	9.3
Poland	11.8a	..	8.0a	..	16.6	..	62.2a	..	26.3	..
Portugal	9.9	6.7	5.1	2.7	15.8	12.3	71.3	76.4	27.1	30.5
Spain	7.7	5.0	2.9	1.8	16.6a	12.1	75.9	74.8	20.1	21.7
Sweden	13.5	16.0	5.6	5.2	22.0	27.6	78.1	83.2	10.2	8.6
Switzerland	24.2	..	7.2	..	45.8	..	83.4	..	11.2	..
Turkey	6.2	7.8	3.4	4.2	13.3	16.5	60.3	62.2	30.7	28.6
United Kingdom	23.0	20.5	8.2	5.5	41.2	40.8	80.4	84.7	12.0	12.5
United States	13.4c	14.2c	8.2c	8.5c	19.1c	20.7c	68.0c	68.3c	7.7	8.5
G7(2)	17.0	14.7	8.6	6.6	27.6	25.5	72.1	74.3	10.8	11.9
EU-15(2)	15.9	13.6	5.8	6.2	29.8	26.4	79.0	80.3	14.4	15.4
OECD Total(2)	15.5	13.7	7.8	6.2	26.0	24.4	71.1	73.5	15.1	..

Notes:.. not available

(1)Defined by a common definition of less than 30 usual-hours worked per week.

(2)The totals include only countries for which data are shown in this table.

a.Actual hours worked

b.Based on 35 hours or less worked per week

c.Dependent employment

d.Former West Germany only

Source: (OECD 2000g: 18, 19).

e.1989

f.New definition between the 2 data pts

g.1997

Diversity of employment arrangements

Due largely to an industrial structure that is based on small and medium sized enterprises, Italy has a rate of self-employment that is well above the OECD average of 15.1 per cent (OECD 2000g: 18, 19). Self-employment accounts for 63 per cent of employment in agriculture and 46 per cent in market services (Ferner and Hyman 1992b: 527). While self-employment is predominantly a male activity (Yeandle 1999: 152), part-time employment is principally carried out by women. See table 12. Part-time employment is comparatively low by standardised definitions¹¹, but it has been argued (OECD 1997a: 6) that a definition based on a cut off point of 30 hours would increase the rate of part-time employment two-fold¹². Currently, under the Act of 19 December 1984, part-time employment is defined as less than “ordinary” working time in collective agreements¹³ (Aviles 1992: 52).

Largely because of the sizeable proportion of family owned enterprises, both commercial and agricultural, it is argued (Yeandle 1999: 162) that the Italian labour market has not been heavily influenced by the Fordist model of production. For this reason, it does not exhibit the same patterns of non-standard employment as other industrialised societies, even though similar shifts in the sectoral distribution of employment have occurred. The trend towards the feminisation of part-time work is evident for example, but on a very small scale since only 13 per cent of Italian women are in part-time positions (OECD 1998a: 9). A little more than 7 per cent of employees are in temporary contracts (Robinson 1999: 95) of which 9 per cent are women and 7 per cent are men

¹¹ The opposite situation exists in Denmark, where the share of self-employment of 8.2 per cent is less than half the share of part-time employment (17.0 per cent) as a proportion of total employment (OECD 2000g: 18).

¹² For the purposes of international comparisons, the OECD (1997a: 12) has defined part-time employment as 30 hours or less. It is common in many teaching occupations in Italy for people to work less than 30 hours a week and still be classified as employed full-time (OECD 1997a: 25).

¹³ Aviles (1992: 52) notes that analysts and experts are mystified by this definition, given that a very small reduction in “ordinary” hours may be defined as part-time employment.

(Ladwig, Domsch, and Kleiminger 2000: 97). As has been noted earlier, official statistics are distorted by the high incidence of undeclared employment resulting in a much higher percentage of non-standard employment arrangements than these figures indicate. Some analysts (Cebrian 2000: 1) argue that similar trends that have driven other OECD countries to diversify employment arrangements, particularly high levels of structural unemployment, have generated considerable interest in deregulating the Italian labour market, which is described (Christofides 1996: 103) as one of the “least flexible” in Europe. For instance, guidelines issued under the European Employment Strategy have strongly advocated increasing the level of part-time employment as one solution to Italy’s female unemployment problem. While legislative changes, including the EU Directive on part-time work (European Foundation for the Improvement of Living and Working Conditions 2000c) have recently been implemented, a number of features that exemplify the effects of a highly regulated labour market, namely job tenure and income mobility, are noteworthy.

Characteristics of one of Europe’s least flexible labour markets

Italy is amongst a small group of countries in which workers with job tenure of less than one year is below 10 per cent (Auer and Cazes 2000a: 382). Terms of collective agreements, job protection legislation and the high percentage of employment in public administration, where the traditional understanding of permanent, full-time employment in a stable job has been protected, have resulted in longer than average job tenures. By comparison, the United States and Denmark have the highest share of workers with tenures of less than one year and the lowest share of workers with longer tenures. See table 13. Cross national studies by Burgess, Pacelli and Rees (1997) on the relationship between job tenure and the size of enterprises note that employees in larger establishments, where on the job training is available tend to have longer rates of tenure. While turnover rates are highest in sectors with smaller establishments, particularly building, trade, personal services, business services and food and in

the undeveloped south (Contini et al. 1996), a paradoxical situation arises, when a nation with a comparatively large percentage of small enterprises has one of the lowest rates of job tenure.

Table 13 Distribution of employment by job tenure in selected OECD countries

JOB TENURE	UNDER 1 YEAR			UNDER 5 YEARS			10 YEARS AND OVER		
	1991	1995	1998	1991	1995	1998	1991	1995	1998
Belgium	...	11.6	12.0	...	36.8	33.0	...	43.6	46.5
Denmark	...	25.1	22.0	...	52.7	51.9	...	29.1	33.5
Finland	11.9	17.6	19.9	49.2	37.2	40.1	34.2	39.6	42.5
France	15.7	15.0	14.3	42.0	40.6	35.1	41.4	42.0	45.0
Germany	12.8	16.1	14.3	41.0	47.5	38.7	41.2	35.4	38.3
Greece	...	12.6	9.6	...	39.6	3.13	...	39.9	51.2
Ireland	...	17.8	18.3	...	48.8	44.6	...	33.1	37.7
Italy	...	8.5	9.9	...	33.6	30.6	...	45.6	49.2
Japan	9.8	7.6	8.3	37.4	36.5	34.0	42.9	42.9	43.2
Luxembourg	...	11.4	8.9	...	40.7	33.6	...	37.8	44.2
Netherlands	24.0	16.3	14.9	62.4	48.1	42.5	26.2	31.7	36.5
Portugal	...	13.4	15.0	...	39.9	37.4	...	41.6	43.0
Spain	23.9	35.5	28.4	46.4	51.4	44.5	39.7	34.2	39.8
Sweden	...	14.8	13.4	...	37.3	34.2	...	39.7	47.8
United Kingdom	18.6	19.6	19.9	54.8	49.8	47.5	28.9	26.7	32.3
United States	28.8	26.0	27.8	61.7	54.5	56.4	26.6	25.8	25.8
Average	18.2	16.8	16.1	49.4	43.4	39.7	35.1	36.8	41.0
Standard deviation	6.8	7.1	6.2	9.5	6.8	7.6	7.1	6.2	6.8

Notes: ...not available

Source: (Auer and Cazes 2000b)

Another trend that reflects the effects of a highly regulated labour market is the low level of earnings mobility. According to one study (Contini, Filippi, and Villosio, C 1998) women, young workers, manual workers and workers in small firms in low paying employment five years earlier are two and a half time more likely to remain in low-paid jobs, while persons in high-paid employment are three times more likely to remain in such employment. These developments have an historical link with the Scala Mobile system of indexation, introduced in 1975. This system, which was abolished in 1993, was institutionalised as a “strongly egalitarian” system of wage indexation, because it made quarterly adjustments and across the board increases for all employees (Negrelli and Santi 1990: 168). Successive tri-partite negotiations radically

restructured the wage indexation system, with the result that relatively compressed income differentials during the 1970s, increased during the 1980s. Since that time, the major unions have attempted to moderately improve skill differentials in collective agreements, in response in some part to the refusal of supervisory and skilled employees to accept union policy resulting in the famous Fiat strike in 1980 (Marsden 1992: 59).

In this section, some of the most significant labour market trends that have emerged since the early 1970s, when structural unemployment increased from 3.7 per cent (Aviles 1992: 45) have been identified. This analysis of the Italian labour market presents a counter opposite scenario to Denmark and the United States, primarily because of low rates of employment and high unemployment levels. See table 14. The most striking observation however, is the effect of regional differences, which arguably (Kern and Pichierri 1995: 155) characterise the Italian industrial and labour market structure. This is exemplified by the fact that in the highly successful northern regions where manufacturing and tourism have prospered during recent decades, unemployment is lower than 4 per cent and comparable to the national unemployment rate in both Denmark and the United States. This matter seeks deeper investigation in view of the issues being examined in this thesis. While it is argued that labour markets in different nations have imbibed the effects of restructuring in the world economy in variable ways, wide-ranging effects are evident in this single nation. This diversity is conceivable in terms of the polarisation that occurs in all aspects of Italian social, cultural and economic life and in this sense, it is not surprising that the labour market is responding in a similar way. It is possible to conclude therefore, that the impact on labour markets of the demands of economic globalisation is affected in a large part by deeply imbedded traditions, cultural and structural factors that are shaping other parts of the same society.

Table 14 Employment, unemployment and labour force participation rates in Italy, Denmark, the United States and the European Union

	TOTAL OECD		EUROPEAN UNION		ITALY		DENMARK		UNITED STATES	
	M	W	M	W	M	W	M	W	M	W
Employment/ population ratio	75.8	54.0	70.2	50.5	65.	36.2	81.3	69.4	80.1	67.1
Labour force participation rate	81.0	58.5	77.6	57.7	72.2	43.6	85.2	74.2	84.2	70.7
Unemployment rate	6.5	7.8	9.5	12.4	9.8	16.8	4.6	6.5	4.9	5.1

Source: (OECD 1998, June: 192, 193)

In addition to the characteristics noted above, the Italian labour market consists of a dual workforce employed either under highly regulated conditions or in a highly unregulated sector. As observed in other case studies, undeclared workers are amongst the most vulnerable of all workers, an issue that is of significance in the case of Italy because they represent a sizeable proportion of employees, particularly in low-paid service sector jobs. At the same time, there is a lower incidence of non-standard employment in Italy despite the diversity of flexible employment arrangements, which correspond with the prevalence of small and medium sized enterprises. Efforts to increase the flexibility of the labour market will be noted in the course of this chapter, since it is generally understood to improve employment opportunities, a case that is supported in the flourishing industrial regions in the north. Policy adjustments in each of the major areas affecting the functioning of the labour market will be examined, after a brief discussion of the structural foundation in which recent policy shifts have occurred.

The Dual Structure of Italian Employment Relations

The Italian system of industrial relations is characterised by a high degree of bipolarisation, which is accentuated by regional disparities and unstable relations between counter-posed interest groups. As noted in the previous section, this dual structure corresponds with a particular industrial pattern, which consists of a very high percentage of small and medium sized enterprises that co-exist with

a significant number of large corporations¹⁴. Comparatively rigid institutional and policy settings, which are applied to large enterprises, are virtually ignored by the personalised, irregular employment practices adopted by small employers (Ferner and Hyman 1992b: 527).

The structure of collective bargaining has also been described (Negrelli and Santi 1990: 181) as bipolarised, since sectoral agreements negotiated at the national, industry and inter-industry level apply to all enterprises in the relevant sector or industry, while enterprise level agreements detail conditions specific to a single company or plant (Pisani and Bright 2000: 86; Regalia and Regini 1995: 135). In the former agreements, terms and conditions of employment, including type of employment contract, salary, hours of work, holidays, seniority rules and union access are negotiated¹⁵. Productivity based salary increases are bargained at the enterprise level (Pisani and Bright 2000: 88). The shift from centralised industry level bargaining to plant and company level negotiations is understood (Treu 1981) in the context of technological developments, which altered workplace organisation and conditions of employment to such an extent that clauses in industry level agreements were no longer relevant. Bargaining at the enterprise level subsequently became a more effective way of addressing industrial conflict. The current system of collective bargaining is not unlike the Danish structure of “centralised decentralisation”¹⁶, which has developed in tandem with the changes described above. It was strengthened in the immediate post-war era when the state assumed an active role in Keynesian economic management and in providing welfare services.

¹⁴ Small and medium-sized enterprises of less than 250 persons, which are more common in southern European countries, account for 78.7 per cent of total employment in Italy (Eurostat 1996: 1). Recent figures from ISTAT estimate that 95 per cent of enterprises in industry and services have less than 10 employees (Angeloni et al. 1999: 95)

¹⁵ Industry level bargaining was traditionally favoured by Italian employers because they could influence bargaining outcomes through agreements negotiated by their respective associations, without becoming directly involved in industrial conflict (Treu 1981).

¹⁶ See Chapter 7, page 259, for a discussion of centralised decentralisation in Danish employment relations.

Post-war welfare state

Unlike a number of other industrialised economies, the state has maintained a strong role in industrial relations during the post World War II years, in contrast to the immediate pre-war period of Fascist rule, when the government's corporatist control of the economy effectively precluded normal industrial relations. Following World War II, state-led efforts initiated wage control mechanisms by introducing legislation that extended the terms of a collective agreement to an enterprise beyond the one in which it was bargained and involved unions in corporatist tri-partite bodies (Bornstein 1984: 60). These attempts to stabilise industrial relations, could not appease the deep discontent amongst workers however, which, when combined with a divided labour movement led to a wave of mass strikes during the "hot autumn" of 1969. Industrial action at this time is described (Regalia and Regini 1998: 459) as "the principal watershed in the evolution of Italian industrial relations since the Second World War".

As a consequence of this period of industrial unrest, a unique system of industrial relations which includes labour market social protection measures not evident in other Southern European countries evolved. Defined under the 1947 Constitution as "a democratic republic founded on labour", Italian society has traditionally guaranteed the notion of life-long, full-time permanent employment. This concept has its historical foundation in the 1947 Italian Constitution and the 1970 Workers' Statute, which gave special recognition to the rights of permanent employees, whose working conditions and social protection earned them consideration as the most vulnerable sector of the labour market (Cebrian 2000: 5). Legislation introduced under the Workers' Statute and collective bargaining negotiated during the 1970s, which prioritised job security, provided strong measures of employment protection and strictly monitored employers' powers, particularly in relation to their hiring and firing practices¹⁷ (Cebrian

¹⁷ Collective bargaining has a natural home in Italy, where trade unions are based on the philosophy of protecting the rights of all workers and ensuring that the benefits from the

2000: 5). It was implemented in an environment shaped by a complex interrelationship between ideological, religious and institutional alliances.

Complex web of allied interests

An important feature of the development of Italian industrial relations is the close association between the Christian Democratic Party (DC) and the Catholic Church. The Christian Democratic Party was the largest political party and has been the dominant force in government since the immediate post war years. The alliance with the Catholic Church has its roots in the 1889 Papal encyclical *Rerum Novarum*, which authenticated labour unions, and led to the formation of Catholic trade unions and the Christian Democratic Party (Crouch 1994: 80). Using its strong conservative political, religious and cultural links, which included major business interests, the Catholic Church pursued its post-war purpose of representing anti-communist interests and actively opposing the Communist Party and its allies.

The powerful Communist Party has also strongly influenced Italian political institutions, despite the fact that it was excluded from mainstream political participation and, along with its union associates, was alienated from most of society until the 1970s. This situation has resulted in a great deal of instability, particularly when it was considered by some observers (*Industrial Democracy in Europe 1981: 200*) as the most effective possible means of addressing serious socio-economic problems. In recent electoral gains by the Italian Communist Party (PCI), the balance of power has shifted at the parliamentary, regional and local government level (*Industrial Democracy in Europe 1981: 200*) helping to resolve what has been described by some analysts (Ferner and Hyman 1992b: 531) as “blocked democracy”. The political conditions of the late 1970s have arguably (Negrelli and Santi 1990: 155)

pursuit of these goals are distributed equitably amongst all workers. Based on a strong communist/catholic tradition, which promotes social justice through solidarity, it is argued that there is not the competition between different sectoral groups of workers that is found in other industrialised countries (Ries, Marcello 2000, pers. comm., April 12th).

instilled expectations in the political community of the possibility of a strong social consensus. This expectation was strengthened after the 1992 “Mani Pulite” (clean hands) campaign evicted from office many politicians accused of corruption and introduced the majority electoral system (Gualmini 1996: 69). In his insightful socio-political exposition, Sasson (1987: 255) suggests that the failure of the Communist Party to achieve electoral success raises questions regarding its capacity to rise to the task of governance, should its historical position someday be reversed. This appears unlikely in the near future, since in the May 2001 elections, the centre-left government endured a resounding defeat by media tycoon, Silvio Berlusconi, who has since, according to Carroll (2001) formed one of the most right-wing governments in the European Union.

The capacity of elected governments to address contemporary social and labour issues has been impeded by deep divisions in national identity between different parts of the country. Tracing regional differences that have emerged during hundreds of years of governance by two contrasting regimes, represented by a powerful monarchy in the south and a network of communal democracies in the centre and north, Putnam (1999) illustrates the long lasting social, political and economic effects of these historical factors. Since the deep disparities between the south and north have not narrowed, he (Putnam 1999: 182) concludes, “social context and history profoundly condition the effectiveness of institutions”,¹⁸.

A system of regional governments, which was introduced in the 1970s with the aim of replacing the highly centralised administrative apparatus, has addressed power imbalances between regions by giving them more autonomy and self-governance. Some left-leaning analysts (Ferner and Hyman 1992b: 524) argue that the new governing structure is a form of “tacit federalism”, because it lacks clearly defined rules and responsibilities and regions remain

¹⁸ The most recent initiative of establishing regional Institutes of Labour, which have assumed much of the administrative procedures of the National Institute of Labour, is yet to undergo sufficient scrutiny to ascertain its relative effectiveness.

financially dependent on the central government. Dealing with a traditionally unstable political environment, hostile separatist groups and the problems associated with national integration, national governments during the past fifty years have built liaisons with both the major employers and their organisations, and with the major confederations of trade unions.

Fractured history of tri-partite negotiations

Historically, social dialogue has played a very important role in labour, political and economic affairs (Bornstein 1984: 77; Regalia and Regini 1998: 459), but relationships established between social partners throughout recent decades have consistently vacillated between antagonism and co-operation. More recently, however a trend towards neo-corporatism that was localised in the northern and central regions (Crouch 1994: 240) has emerged. Employer organisations, which began forming in the north around 1900, originally collaborated with the fascist state, but in the post World War II post-dictatorship regime they joined with trade unions in the beginnings of institutionalised tri-partite employment relations. By the mid 1970s, statutory bi-partite works councils were established at the plant level and collective bargaining was initiated at the national and branch level (Crouch 1994: 184). Despite a small degree of collective bargaining, the centralised industrial relations structure was very informal, particularly in comparison with Denmark's high level of institutionalisation, and negotiations were adversarial from the outset.

While there is evidence that the general trend towards decentralisation of employment relations occurring in other OECD countries is evident in Italy, national tri-partite agreements have been reinforced during the 1990s. The resurgence of social dialogue between governments, employers and trade unions, which occurred in conjunction with pressures to conform to the convergence criteria of European Economic Monetary Union has resulted in an historic trilateral agreement. Tri-partite relations have traditionally been complicated by complex institutional arrangements and practices within

individual unions, and rivalry between the various confederations. Problematic relations between the craft based and general unions were intensified by opposing alliances of either Communist or Catholic traditions, which in turn weakened their individual effectiveness. Consequently, even though democratic tendencies were strong at the turn of the century, labour unions were amongst the weakest in Europe (Crouch 1994: 119). Political events have in turn had a significant impact on the alliances labour unions have formed with political parties or coalitions, and on the building and breaking of liaisons within the Federation itself¹⁹. Notwithstanding internal divisions in the labour movement, the dependence of weak coalitions on union consultation and co-operation has increased the capacity of unions to influence economic policy. The relationship between unions and political parties is critical in formulating legislation, with unions supporting the parties with whom they are aligned, or combining to oppose parties with whom they have no affiliation.

Describing the distinctiveness of the Italian system, Jacoby (1995) suggests that Italy falls between the highly centralised macro-corporatist systems of the Scandinavian countries and Germany, the decentralised statist micro-corporatist Japanese system and the voluntarist UK, USA system. Furthermore, Italian employment relations illustrates paradoxical elements, represented by the absence of rules for collective bargaining and a lack of regulations governing recruitment and operation practices of trade unions²⁰ and employer

¹⁹ For instance, established unions disintegrated during the Fascist period from 1922 to 1944 (Pellegrini 1998: 149). The re-emergence of unions along industrial lines coincided with the formation of the *Confederazione Generale Italiana del Lavoro* (CGIL) in 1944 to oppose the Fascist regime. This confederation splintered into three, when the Catholics formed the *Confederazione Italiana Sindacati Lavoratori* (CISL) and the Republicans and Social Democrats formed the *Unione Italiana del Lavoro* (UIL) in 1948. In 1973, the *Federazione* reunited the three major unions until 1984, when disagreements during national negotiations over the wage indexation system led to the collapse of this union. While attempts to unify the major unions have been made during the 1990s, it is understood (Pisani and Bright 2000: 86) that the division between the three general secretaries is as wide now as it ever was.

²⁰ The primary role of unions, which was defined in the 1948 Constitution of the Republic, is to engage in collective bargaining. Under Articles 35-40, labour activities are protected and unions are guaranteed the right to organise and to strike. The formation of unions in

organisations. This situation is paralleled by a strict collection of rules determining representative practices at the enterprise level as well as highly regulated institutional involvement of union and employer associations in administering social security programs (Regalia and Regini 1995: 135). Policy reform adopted in recent decades has attempted to address some of these contradictions, as well as some of the more obdurate problems that beset the Italian labour market.

Microeconomic Policy Reform

Structural reform including liberalisation of product markets, privatisation of telecommunications, utility and transport sectors and improvements in the operation of financial markets, accompanied by increased labour market flexibility is perceived in some quarters (OECD 2000b: 22) to have improved Italy's international competitiveness. Regional and multi-lateral organisations have supported reform of the pension system, the corporate taxation system and the public administration system (European Commission 1999) and recommended intensifying the pace of privatisation (OECD 2000b: 22). Additional strategies that are needed to address competitive weakness, according to the Bank of Italy Governor, Antonio Fazio (Bloomberg 1999) include new wage policies, public spending reform, reduction of the tax burden, and a closer involvement of workers in corporate and economic life. Similar and supplementary strategies, including structural reforms to increase competition in the sheltered sectors of the economy and continued efforts to reduce the wide disparities between the performance of the labour market in the north and the south have also been promoted in recent OECD (2000b; 2000f) reports. A discussion of some of the reforms affecting the operation of the labour market follows.

workplaces of 15 or more employees, and 5 or more in the agricultural sector is guaranteed under the 1970 Workers' Statute.

Reform of employment relations

Reform of the collective bargaining system during the past two decades initially reduced the indexation provisions of the Scala Mobile in 1983 and 1984 and its inflationary effects, and finally abolished the wage indexation system in the 1993 agreement on national incomes (OECD 1995b: 34). Reforms under the 1993 agreement were introduced to establish wage levels at the sectoral level and provide a framework for enterprises to negotiate wages that reflect adjustments in productivity and company performance (Leoni, Tiraboschi, and Valietti 2000: 2; OECD 1995b: 35) and in turn generate benefits for the firm, the community and the entire economy. The historic 1993 Protocol, which is based on co-operative participation between employers and employees, is understood (Leoni, Tiraboschi, and Valietti 2000: 2) as heralding a regime of “industrial democracy”. Works councils, operative in other European countries, are also intended to increase the effectiveness of enterprise level negotiations (OECD 1995b: 35).

Changes accompanying the decentralisation of the wage bargaining system that were aimed at increasing the flexibility of the labour market included the removal of a firm’s obligation to hire workers from lists of unemployed persons, ranked according to seniority²¹. In addition, workers who are made redundant may now be added to a “mobility” list, instead of the Cassa Integrazione Guadagni²² (CIG, wage guarantee fund). Increased flexibility has also been pursued by introducing a number of new employment contracts, including fixed-term contracts²³, part-time employment, apprenticeships, the

²¹ Known as “public lists” these records, which were maintained by the labour exchanges, were significant in imposing strict hiring and firing restrictions on employers (Contini et al. 1996: 195).

²² Workers on the mobility list are entitled to income equivalent to the CIG and are given priority when re-hiring occurs, but the employment protection is “considerably less” than under the wage guarantee fund (Christofides 1996: 106).

²³ Fixed term contracts are made on the basis of part-time employment for a short term or long-term period. Workers employed on these contracts are considered semi-autonomous, because they are not company employees, and the company pays 10 per cent rather than 30 per cent of employer contributions to social security. Employees receive the 30 per cent and bear

training and employment contract, job-sharing and temporary employment (Angeloni et al. 1999: 97). In cases where employer and employee representatives have reached agreement on the regulation of non-standard working arrangements, including seasonal, part-time and temporary work, the issues surrounding them are now bargained in collective agreements.

Reducing the rigidity of wages and employment conditions, maintained by legislation and collective agreements, has been an underlying theme of institutional changes during the past two decades. According to Valli (2000), this emphasis has increased the flexibility in the core labour market. Differentiating four labour policies for each independent, but interconnected sector of the labour market, Valli suggests that increased flexibility is linked to the abolition of the wage indexation system, and a number of significant social pacts on labour costs, agreed on by the government, trade unions and employer associations. Temporary and part-time jobs and self-employment have increased in conjunction with changes in labour law, in collective agreements, in employment practices and in the decisions of judges in labour disputes.

the cost of providing for the benefits that would have been covered as a regular employee, e.g. pension. "There is a great deal of employer interest in these new contracts, with the result that they account for half the new contracts each year" (Follis, Massimo 2000, pers. comm., April 20th).

Table 15 Four segments of the Italian labour market

LARGE, MEDIUM SIZED FIRMS, SMALL FIRMS (WITH MORE THAN 15 EMPLOYEES), PUBLIC ADMINISTRATION (ESTIMATED ABOUT 1/3 OF TOTAL EMPLOYMENT AND 35 PER CENT OF REGULAR EMPLOYMENT)*	MICRO-FIRMS (UNDER 16 EMPLOYEES) (ESTIMATED ABOUT 1/5 OF TOTAL EMPLOYMENT AND 25 PER CENT OF REGULAR EMPLOYMENT)*	IRREGULAR WORKERS OF THE SUBMERGED LABOUR MARKET (ESTIMATED ABOUT 1/5 OF TOTAL EMPLOYMENT)*	AUTONOMOUS WORKERS (ESTIMATED ¼ TOTAL EMPLOYMENT AND 28 PER CENT OF REGULAR EMPLOYMENT)*
Consistent unionisation, decreasing in the last two decades	Lower unionisation, decreasing the last two decades	No unionisation	Loose, although influential associations
Relatively high rigidity, reduced in the last two decades	Greater flexibility, lower protection by law or trade unions	Absolute flexibility, especially for irregular immigrants	High flexibility
Low recourse to part-time employment, rising in recent years; increasing recourse to subcontracting, temporary workers and outsourcing	Low recourse to part-time employment, increased in recent years; consistent recourse to irregular workers or to forms of sub-contracting for autonomous workers	Substantial recourse to part-time employment	A growing part of autonomous jobs is actually dependent work
Higher productivity, higher wages, lower hours annually worked, slight decreasing trend in working time for bigger industrial firms	Lower productivity on average, lower wages than in bigger firms, higher level and slightly increasing trend for hours worked annually per employee	On the average low, but very diversified productivity, with diversified wages	Lower hourly productivity for a part of autonomous workers, but longer working time
High social contributions	High social contributions	No social contributions paid by firms	Limited, but rising social contributions

*The ratios are rough estimates based upon the cautious assumption that irregular workers are about 20 per cent of total (regular and irregular) employment. In 1999, regular employment was less than 21 million, so that total (regular and irregular) employment may be estimated around 26 million people.

Source: (Valli 2000: 7)

Industrial relations in Italy provide an interesting contrast to industrial relations in other OECD countries, where pressures generated by the need to enhance international competitiveness have resulted in increased levels of conflict between the two parties of the employment contract. In some cases, government support for business enterprises has exacerbated this tension. By contrast, Italian industrial relations have seen a resurgence of collaboration between the social partners, at the macro level. In the 1993 collective bargaining agreement, in which the social partners accepted an incomes policy, based on wage control, industrial relations were arguably (Baglioni 1999: 4, 5) stabilised for the first time since the end of Fascism. While some analysts (Prosperetti 1998: 25) are critical of the contradictory elements of the Protocol and the fact that, in practice it applies to merely 30 per cent of companies, mainly in the industrially strong areas of Italy, the trend towards more participatory industrial relations practices can nevertheless be acknowledged. Legislative changes to labour market regulations in 1991 arguably (Ambroso 1991), characterise a move towards modernisation of legislation, rather than labour market deregulation adopted in many other OECD countries. This process was facilitated by effective strategic approaches by the relevant unions. Strengthened by their active involvement at the workplace level and their institutionalised role in collective bargaining, unions were largely responsible for these innovative legislative developments, according to Regalia (1995: 155). Collaboration between social partners and special legislative and government measures have underpinned efforts to increase the labour market opportunities of unemployed youth and to reduce overall unemployment in the southern regions. These initiatives are outlined in the discussion that follows.

Active and passive labour market policies

Employment issues have been included in tri-partite negotiations since the early 1980s, when active labour market policies were implemented to create employment in the public sector and address high levels of unemployment,

particularly in the southern regions (Negrelli and Santi 1990: 169). Strategies adopted with the aim of raising employment levels include the reduction of normal working hours²⁴ through increasing the availability of part-time and short time contracts, solidarity contracts²⁵ (Bolle 1997: 577; Gualmini 1996: 76; OECD 1998, June: 157) and trainee contracts²⁶. Considered as a radical unemployment policy (Gualmini 1996: 77), solidarity contracts were introduced to prevent dismissals by increasing mobility within firms, and creating new employment by providing for work sharing in firms with more than 1,000 employees.

Since young people in Italy, like those in Finland, Greece, Portugal and Spain, face a very high risk of becoming unemployed in their first year after completing their initial education (OECD 1998, June: 81) special job creation strategies have been implemented in areas of high youth unemployment. Young women, in particular, have a greater likelihood of being unemployed. See table 16. Plans to increase employment for youth living in areas where the unemployment rate is above the national average were introduced in the 1997 *Treu Package*. Targeted at youth aged between 21 and 32 years, who had been unemployed for more than 30 months, this job creation program provides employment that is considered "socially useful" for first time job seekers (OECD 1998, June: 90). To enhance the effectiveness of unemployment strategies, such as the 'nuova programmazione' initiated in response to the high levels of unemployment in the southern Mezzogiorno regions, these strategies are now managed by regional authorities (European Commission 1999: 32) that are

²⁴ Shorter working hours have been one of the most commonly bargained items in collective bargaining since the late 1970s, and while unions have demanded a shorter working week, employers have tended towards higher wages in lieu of reducing hours of work (Negrelli and Santi 1990: 177).

²⁵ Solidarity contracts, which are arranged between the firm and the unions, were introduced in 1984 with the purpose of increasing labour demand and tackling youth unemployment.

²⁶ Under trainee contracts young people under 30, who were employed for training purposes, were hired on special conditions outside normal government and union agreed contracts (Negrelli and Santi 1990: 169).

closer to the problem. As in the administration of industrial relations and vocational training programs, regional authorities assume much of the administrative procedures, while the role of central government is limited to co-ordinating available policy instruments and promoting best practice²⁷.

Table 16 Employment probabilities of school leavers aged 16-29 years one year after leaving education in selected OECD countries, 1996

	TOTAL	MEN	WOMEN
Austria	78.6	76.2	80.7
Belgium	57.9	62.6	52.3
Denmark	71.2	72.5	70.0
Finland	37.6	39.4	35.7
France	58.3	61.8	54.3
Germany (a)	81.7	82.5	80.7
Greece	38.7	44.3	29.9
Ireland	66.0	67.9	64.0
Italy	30.0	38.5	20.6
Luxembourg	78.2	84.5	71.2
Netherlands	52.5	54.0	50.9
Norway (b)	57.8	55.8	60.0
Portugal	50.3	53.7	46.5
Spain	37.2	42.2	31.1
United Kingdom	67.6	65.3	70.1
United States (a)	74.6	77.1	72.7
Unweighted average	58.6	61.1	55.7

(a) Data refers to 1995

(b) Data refers to 1994

Source: (OECD 1998, June: 94)

As an indication of the increase in unemployment levels and in the number of elderly persons, expenditure on social protection programs increased in Italy (as in most European Union countries) from 19.4 per cent in 1980 to 25.8 per cent in 1993 (Greve 1998: 354). In comparison with both Denmark and the United States, Italy devotes a large proportion of total public expenditure to active labour market measures²⁸ (OECD 1998g: 7). See table 17, which indicates that as a percentage of GDP, spending on active and passive

²⁷ Cavazza, Simonetta 2000, pers. comm., March 16th.

²⁸ Fifty five per cent of expenditure on active measures is used for labour market measures, compared to 31 per cent in Denmark and 39 per cent in the United States (OECD 1998g: 7). In relation to expenditure on active labour market policies per unemployed persons, Italy spent

labour market programs is just over 1 per cent in the former case and just under 1 per cent in the latter case (OECD 1998b: 14). Increased expenditure on active labour market programs, which is in accordance with recommendations from the European Commission and the OECD²⁹, is indicative of the links between economic, employment, labour market and social policy (Greve 1998: 357, 8). This connection can be observed in relation to increased investment in education and vocational training programs, as outlined in the forthcoming section.

Table 17 Active and passive labour market measures in Italy, Denmark and the United States, 1996

	ITALY		DENMARK		UNITED STATES	
Expenditures on active labour market measures as a per cent of GDP, i.e. job creation, training and placement	1.1		2.3		0.2	
Expenditures on passive labour market measures as a per cent of GDP, i.e. unemployment and related benefits	0.8		4.5		0.4	
Shares of total public expenditures on labour market measures that are active measures	1985 ..	1996 56	1985 24	1996 34	1985 33	1996 36

Source: (OECD 1998b: 14)

Education and vocational training

Due to severe youth labour market problems in the southern Mezzogiorno regions, where school failure rates, unemployment and the risk of social exclusion are greater, a number of strategies to reduce youth unemployment have been developed (CEDEFOP 1999: 21). In the 1998 Social Pact, a new system of vocational training for 15-18 year old students was introduced. This strategy aimed at increasing school retention rates, is a compulsory vocational training program, which has the dual goal of upgrading the skills of the youth labour market and reducing the incidence of crime amongst unemployed youth

9.0 per cent of GDP per member of the labour force in 1996, compared to 27.9 per cent in Denmark and 3.2 per cent in the United States (OECD 1998g: 10).

²⁹ According to a recent evaluation of the implementation of the 1994 Jobs Study, this report (OECD 1998d: 19) notes that while legislation was introduced to decentralise the public employment service and open it up to private-sector competition, more evaluation and further action is required to implement proposed reforms of this sector.

(Pisani and Bright 2000: 88). It aims to increase educational participation rates in the south, although it is observed (Gualmini 1996: 72) that in general, Italy has a low general rate of education in comparison with other OECD countries.

Table 18 Low qualification levels and relative labour market disadvantage of low qualified workers in Denmark, Italy and the United States, 1996

	LOW QUALIFIED AS A PROPORTION OF 20-24 YEAR OLDS	RELATIVE LABOUR MARKET DISADVANTAGE OF LOW QUALIFIED 20-24 YEAR OLDS
Denmark	32	1.6
Italy	37	0.8
United States	14	2.2
OECD average	25	1.6

In this table, the incidence of low qualification levels is measured by the number of 20-24 year olds with less than an upper secondary education as a per cent of the population of the same age. Inflated estimates occur in Denmark, where a significant proportion of 20-24 year-olds are still enrolled in upper secondary education.

Source: (OECD 2000d: 241.)

Government funded training, which links institutional based theoretical education with apprenticeship contracts in private and public enterprises, is the main form of vocational training available to young people. It is traditionally more attractive to male, rather than female youth³⁰. While Trainee Contracts of one-year duration and Apprenticeship Contracts of 18 months to 4 years duration are targeted at unemployed youth aged between 15 and 29, they have low participation rates in the south, where youth unemployment is highest. Only 5 per cent of young workers aged between 15-29 participate in Trainee Contracts, while 20 per cent of youth aged between 15-24 participate in the Apprenticeship Contracts (OECD 1998, June). Incentives to encourage employers to retain trainees after the completion of their contract include fiscal benefits, subsidies and reductions in, or exemption from, social security

³⁰ Currently, the percentage of Italian youth, aged between 20 and 24 years who are studying or in training is 35.3 per cent, slightly below the European Union average of 37 per cent (CEDEFOP 1999: 13). It is well below the countries of Denmark and the Netherlands, which have the highest rates of 48.5 and 48.4 respectively. As in other areas of the labour market, young females are at a considerable disadvantage. While they have lower rates of employment and higher rates of short-term and long-term unemployment, their participation rate in vocational training and study of 32.6 per cent is below the male rate of 37.9 per cent (CEDEFOP 1999: 13, 15).

contributions. As a result of these initiatives, 59 per cent of trainee contracts were converted into permanent ones in 1996 (ISFOL 1998).

The Italian vocational training system, which has been described as “generally inefficient, deeply fragmented and diverse” (Kern and Pichierri 1995: 154) or “inadequate” (Townsend 1997: 19) has undergone considerable change under the 1993 tri-partite negotiations on institutional reforms. Precise directives for vocational and continuing training, including a reorganisation of the apprenticeship system, aim at improving the quality and relevance of training. Legislation adopted the following year extended the age of applicants to 32, and distinguished between the type of training available for entry level young workers and those seeking to acquire high and intermediate level skills (Gualmini 1996: 76).

Even though employers bear very little of the training costs of apprentices, the vocational training system is supported by the operations of commercial enterprises. Large companies invest heavily in training and provide industry information to secondary schools and technical institutions, with the aim of influencing curriculum and training programs (Kern and Pichierri 1995: 154). In certain regions, including the industrial area of the “Third Italy”, vocational training is enhanced by communication networks established between training institutions and enterprises seeking trained personnel (Kern and Pichierri 1995: 155). Incentives for employers to train young workers include the reduction of social security contributions and training wages, which are calculated as a proportion of the minimum wage. Further inducements are offered to increase the number of trainees retained after the completion of their contract, which was 25 per cent of apprentices trained in 1993 (OECD 1998, June: 87). In addition to a high rate of investment in labour market measures, Italy has a comparatively high rate of public expenditure on income protection, particularly aged pensions. Amounting to 13.6 per cent of gross total social expenditure (OECD 1999a: 15), or two thirds of all social welfare spending in

1998 (OECD 2000b: 12), this area has been subject to a considerable amount of reform.

Welfare reform

Italy's system of welfare support is quite different from many other OECD countries. The compensatory nature of public expenditure guarantees relatively high levels of income protection, which according to some analysts (Gualmini 1996: 69), has resulted in a culture of public assistance. In addition to high levels of public investment in old age pensions, unemployment benefits are 30 per cent of the current salary for six months³¹. Workers laid off or suspended during industrial restructuring receive a large percentage of their previous salary through either mobility insurance or the wage guarantee fund (CIG). Unlike arrangements for part-time, fixed term contract and interim employees in other countries, they are entitled to the same benefits as full-time workers, on a basis that is proportional to the number of hours worked.

During the industrial and economic restructuring that has occurred in all industrialised countries, Italy strengthened its system of guaranteeing financial support for workers affected by the downsizing of enterprises. Wage subsidies, which are payable under the wage guarantee fund (CIG) are in fact considered (Gualmini 1996: 72) amongst the most generous in Europe, according to their level and duration. In the case of temporary interruptions in employment, due to seasonal or structural causes, employees in firms with more than fifteen staff, receive ordinary wage subsidies amounting to 80 per cent of their salary, payable for between 12 and 40 weeks duration (Cebrian 2000: 36). Extraordinary wage subsidies, introduced in 1968, are payable for the same amount, for a period of one year in the case of the firms economic difficulties, or for two to four years in the case of industrial restructuring (Gualmini 1996: 72). Funding for the wage guarantee fund is provided primarily by the state, with

³¹ Unemployment benefits are a recent introduction in Italy, since 1988, when they were initially payable at a rate of 17 per cent of the previous salary.

employers obliged to pay up to 8 per cent of the ordinary wage subsidies and 4.5 per cent of extraordinary wage subsidies.

Much of the funding for social security programs is provided by employers contributions, which are just below 50 per cent of total labour costs (OECD 2000b: 13). This is the highest rate of all OECD countries, and particularly high when compared with Denmark and the United States (OECD 1999b). See table 19. Some institutions (European Commission 1999; OECD 2000b: 22) have therefore, recommended reforming the pension system as a means of addressing long-term imbalances in the regulatory and institutional framework. In response to pressures to reduce public debt and inflation, the Centre-Left coalition, which was elected in 1996, acted with union support to reform this system. In direct contrast to the early retirement schemes in a number of other European countries, the age of retirement for men and women has been raised by 5 years and the length of time that contributions are made before a person is eligible for a full pension has been increased (Greve 1998: 362). It is understood (OECD 2000b: 13) that these reforms will generate a more equitable system of welfare expenditure by redirecting some of the public funds towards the under-funded sectors, including health services and unemployment insurance.

Table 19 Taxes on single persons earning 2/3 of earnings of average production worker, Italy, Denmark and the United States, 1997

	ITALY	DENMARK	UNITED STATES
Take home pay, after tax deductions	51.2	58.3	70.8
Income tax	14.9	30.7	16.1
Employees social security contributions	10.2	10.7	7.7
Employers social security contributions	23.7	0.3	5.4
Gross wage earnings per annum of average production worker (1)	23904	30927	28584

(1) US dollars with equal purchasing power
Source: (OECD 1999b)

A number of historical and cultural characteristics affect the Italian system of welfare, since it is a society, in which the extended family rather than the state has traditionally provided social support services, including child-care for parents in the labour force³². Italy shares certain features of Southern European family and social life, including the tendency for young people to continue living with their parents for much longer periods. Contemporary developments have impacted on such practices, since it is notable (OECD 2000e: 9) that the duration of time for youth aged 15-24 to remain living with their parents has increased during the past decade, largely because of financial reasons. Social expectations prioritising home ownership combined with economic pressures are delaying marriage plans until after the purchase of a home³³. In association with the strong cultural tendencies, which vary between the different regions of Italy, external influences are impacting on modern social and labour practices, most notably those associated with membership of the European Union. Some of these implications will be discussed in relation to the labour market.

Regional Economic Integration

As one of the six founding members of the European Community, Italy was a party to initiating economic co-operation between member states as a signatory in the Treaties of Paris in 1951 and Rome in 1957. The opportunity of developing closer relations with other Western European states, was arguably (Nugent 1994: 25) a welcome one in the wake of twenty years of Fascism. In succeeding Intergovernmental Conferences, Italy has joined with Belgium,

³² While Denmark offers widespread publicly funded assistance to all parents with young children, Italy provides pre-school care as a support, rather than a substitute, for parental care (Miller and Warman 1996). Miller and Warman (1996) categorise differences in European welfare state policies according to a non-interventionist “extended family” model where responsibilities are shared amongst a range of family members as in the case of Italy; a “nuclear family” model where family responsibilities are shared by spouses (e.g. France, Germany and the UK) or “individual autonomy”. Denmark is classified in the final category, since welfare policies are targeted to individuals and less is expected of families.

³³ Visentin, Alessandro, 2000 pers. comm., May 23rd.

Luxembourg and the Netherlands, in giving fuller support to the intergovernmental process than the remaining member states, according to Nugent (1994: 62). This stance may be more understandable in the light of the considerable, albeit conditional funds loaned by the European Union to assist the ailing Italian economy. For example, in 1993 Italy received approval for a two-year loan of 8 billion ECU, that was conditional on reducing public debt, limiting government borrowing and reforming public expenditure (Nugent 1994: 340).

During the 1990s, pressure to conform to the convergence criteria of Economic Monetary Union has been associated with the resurgence of macro-concertation³⁴ (Baglioni 1999; Regalia and Regini 1998: 467). European Union directives to improve international competitiveness by adjusting macroeconomic policy and involving social partners in regulating national incomes policies have been instrumental in reviving short-lived tri-partite negotiations initiated a decade earlier (Negrelli and Santi 1990: 163; Regalia and Regini 1998: 467). Success in this area contrasts with previous efforts of micro-concertation of industrial adjustment and macro-concertation of national incomes policies, which achieved minimal effect and eventually broke down due to their failure to acknowledge the importance of negotiations at the central level (Santi 1985). The resurgence of macro-concertation has been acclaimed (Regalia and Regini 1998: 467) as initiating a new era of regional economic co-operation. European integration has also influenced member-state's efforts to improve the functioning of the labour market, by recommending a wide range of policy and institutional changes in the European Employment Strategy.

National Action Plan for Employment

As generating employment opportunities is one of the key objectives of the Member States of the European Union, a country such as Italy, with a comparatively high rate of overall, youth and long-term unemployment has been

³⁴ This term is widely used in European Union convergence discourse to describe the participation of social partners in formulating public policy.

the recipient of numerous recommendations and considerable amounts of funding from the European Union. For example, in 1999, the European Social Fund contributed in excess of 2 billion Lire towards the implementation of the 2000 National Action Plan. Strong recommendations have been made in successive guidelines from the European Commission to assist disadvantaged job seekers and improve the administration apparatus. They include increasing the participation rate of older workers, reducing gender gaps and offering training or employment opportunities to young people who have been unemployed for six months, and adults who have been unemployed for twelve months (European Foundation for the Improvement of Living and Working Conditions 2000b: 2). Additional recommendations focus on reforming the system of employment services, reducing the administrative pressures on companies, shifting the tax burden from labour to other tax bases as well as reforming the pension and other benefit systems (The European Commission 2000b: 7).

In response to these and other recommendations, new initiatives to improve social dialogue and institutional partnership have been developed in conjunction with the social partners (The Government of Italy 2000: 32). For example, in one significant tri-partite agreement signed by the government and 32 representative social partners in the southern regions (the Mezzogiorno), governments and regions have agreed to upgrade public infrastructure, encourage job-creating investments and lower taxes and contributions for companies and workers. A new compulsory system of vocational training is promoted and measures are recommended to reduce crime in the south in order to lift business confidence in establishing new enterprises (Pisani and Bright 2000: 88). Additional strategies to support employment development in the Mezzogiorno have been introduced in collective bargaining agreements. Special territorial pacts and area pacts draw on the resources of banks, local administrations, employers and unions to enhance employment opportunities by

adjusting labour and business practices to the specific regional needs (Pisani and Bright 2000: 89).

Innovative strategies have been proposed to reduce employment and income disparities in regions where labour market imbalances are greatest. They include tax rebates that are intended to increase employment opportunities and wages of unskilled workers and to reduce hidden employment. Tax rebates are also being investigated as a means of enhancing opportunities for continuing education. New legislation and collective agreements have increased the employment protection of workers in non-standard employment. Additional resources have been allocated to scientific and technological research and to the upgrading of technological equipment in schools, training organisations and employment services.

The priorities and strategies summarised here address some of the more critical problems, particularly youth and female unemployment and low labour force participation rates in the southern region. As in other areas of labour market reform, social partners are actively involved in preparing annual National Action Plans and in implementing the recommendations they contain. Social partnerships, which have evolved under particular historical and cultural conditions, are as in the Danish case study, an influential factor in addressing contemporary labour market problems. These partnerships of social dialogue play an important role in the industrial restructuring that has been occurring in recent decades, and most particularly in the employment issues associated with these changes. This will be illustrated in the final section of this chapter, where developments in the tourism and hospitality industry in two regions with a significant degree of activity in this sector are examined.

Features of the Tourism and Hospitality Industry

Italy derives a large percentage of national income from the tourism and hospitality industry, as it is the seventh most frequently visited country by international tourists (World Tourism Organisation 1999: 5) and the third highest tourist destination in Europe. By international comparison, it is in fifth and eighth positions respectively in terms of the amount of GDP per capita and the number of jobs generated by this industry (World Travel & Tourism Council 1999). In addition to its diverse range of cultural, historical and leisure attractions, Italy's climatic virtues have generated a mass influx of tourists seeking beach and ski holidays, further strengthening the tourism market since the Second World War (King 1991: 61). Its share of foreign tourists increased from 10 million in 1980 to 27 million in 1992, while domestic visitors constitute a large share of tourism revenue, accounting for 65 per cent of nights booked in hotel accommodation (Townsend 1997: 174).

Some of the strongest tourism regions in the country are located in the highly successful industrial area of the 'Third Italy', which is renowned for its success in specialised techniques of small-scale flexible production³⁵. In the regions of Emilia-Romagna and Veneto, in which qualitative research for this case study is based, unemployment is barely one percentage point above the lowest rate in Italy. Emilia-Romagna has the third lowest level of unemployment of 4.8 per cent and Veneto records 4.9 per cent (Behrens 1999: 9). Tourism is considered one of the "most dynamic sectors" of this regional economy, particularly in the northern Adriatic coastal region since seaside holidays became popular there with both foreign and domestic travellers in the 1950s and 1960s³⁶.

³⁵ The regions of Emilia-Romagna and Veneto have the highest net utilisation index of overnight stays in hotel accommodation in the country (King 1991: 66).

³⁶ Germans are the largest nationality to enjoy the camping facilities of the Friuli-Veneto-Ferrara coastline, while tourists from all parts of the world frequent the uniquely popular province of Venice (Sforza, Guiseppa 2000, pers. comm., May 23rd).

The major reasons for the growth of mass tourism in this area are related (Zanetto and Soriani 1996: 141) to its proximity to the flourishing economies in Austria, Switzerland, Germany and northwestern Italy, the availability of transport infrastructure and natural resources associated with a coastal region. In some cities, including Rimini in the region of Emilia-Romagna, with its seaside attractions, resort hotels, theme parks and nightclubs the population increases threefold during the high season³⁷. In the very popular tourist destination of Venice, in the region of Veneto, it is estimated that seasonal employment accounts for 20 per cent of the total number of fifteen thousand employees³⁸.

The other factor that impacts on patterns of employment in these cities, is that family owned and run small enterprises are the major source of employment in restaurants, hotels and in rented accommodation and camping sites³⁹. As has been observed in the earlier discussion on the Italian labour market, much of the employment in this instance is undeclared and unregulated, a factor that is compounded by the intensive demand for short-term seasonal labour. Strategies implemented by employer and employee associations with the aim of providing income and employment security for seasonal workers, generally benefit those in regular employment only. These initiatives will be outlined in the final section, which analyses how the social partners involved in this industry are adjusting to internal and external exigencies on the employment process.

³⁷ Martinese, Guglielmo Walter 2000, pers. comm., May 11th.

³⁸ Venice itself attracts over 30 million tourists a year, or 50,000 on weekdays and 100,000 on Sunday for 8 months of the year, generating a total income in the tourism industry of \$US2 billion a year (Sforza, Guisepe 2000 pers. comm., May 23rd).

³⁹ Family owned and run small enterprises provide the majority of hotel accommodation regardless of the expansion of transnational hotel chains (Townsend 1997: 174). While hotels are still the most common source of accommodation, it is the smaller sectors, including rented accommodation and camping sites, that have registered increases that are more consistent in recent decades (King 1991: 64).

Innovation, Regulation and Co-operation in the Dynamic Tourism Industry

The job creating potential of the labour intensive tourist industry was identified by the European Regional Development Fund in 1984, when recommendations promoted policies to improve the conditions of workers, facilitate the mobility of tourists⁴⁰ within the European Union and protect the cultural and environmental heritage (Townsend 1997: 190). These recommendations complemented initiatives introduced during the 1970s, when regional administrations, consisting of provincial and local boards responsible for the development of the local tourism industry were established in conjunction with the formation of regional governments.

Regional and local initiatives

The seasonal nature of the Italian tourism industry has become the central focus of local tourism boards in regions such as Emilia-Romagna and Veneto, where a labour supply problem occurs in one part of the year and a labour demand problem occurs in the contrasting period⁴¹. Comprehensive strategies are being developed to offer facilities that will attract tourists and provide employment in the low season by lengthening the tourist season and developing different attractions in slow periods⁴². In Veneto, off-season activities have been promoted in Venice, and itineraries have been developed to entice tourists to visit other parts of the region (King 1991: 81). In Emilia-Romagna, two technology parks have been established in co-operation with the regional council and local enterprises as a regional strategy to spread economic activity throughout the year. Expected to generate one million jobs, this project has

⁴⁰ Air transportation deregulation, increased integration of European economies and new long-distance transport facilities are expected (Costa et al. 1994: 16) to enhance the mobility of European and non-European tourists and redress the decline in international demand during the past decade.

⁴¹ This is represented by the fact that more than 70 per cent of total tourist overnight stays occur between June and September (King 1991: 68).

⁴² Bardi, Andrea 2000, pers. comm., May 11th.

succeeded through the political effort of interest groups, including trade unions, who are keen to improve the year round employment opportunities of members⁴³. Educational programs at the universities of Bologna and Rimini are offered in conjunction with the European Network of Masters' Programs in International Leisure and Tourism as a means of boosting the populous student numbers.

As in Denmark, local agencies are addressing changing consumer demands, in order to adapt the nature of tourist services provided to meet these new requirements. For instance, a local agency, ANTARES was established in Emilia-Romagna to monitor the degree of interrelationship between local firms and associations, in accordance with the system of commercial networking for which the region has become renowned⁴⁴. Research conducted by ANTARES on changing consumer demand notes the need for enterprises to diversify in order to increase the availability of services attached to their core service, i.e. car rental or child minding⁴⁵.

At the national level, however the Ministry of Tourism, the national tourist organisation (ENIT) and the government-run travel agency (CIT) are considered (King 1991: 82) somewhat less effective in promoting strategies necessary to enhance tourism at that level. For example, in the southern regions, where the incidence of tourism is scattered and underdeveloped, investment in expansion of the tourist industry has accrued minimal benefits. While funding has been targeted at improving the conditions associated with the failure of this region to attract domestic and foreign travellers, King (1991: 79, 80) argues that administrative, cultural and geographic reasons have limited its effectiveness.

⁴³ Martinese, Guglielmo Walter 2000, pers. comm., May 11th.

⁴⁴ Ciapetti, Lorenzo 2000, pers. comm., May 11th.

⁴⁵ Bardi, Andrea 2000, pers. comm., May 11th.

One tourist related aspect that has arguably (Zanetto and Soriani 1996: 149) received scant attention from local authorities is the environmental impact of the huge influx of tourists. According to some critics (Zanetto and Soriani 1996: 149), the tendency of economic activities like tourism to impose its requirements on the coastal environment has resulted in a relationship between the two sectors that is characterised by a “latent conflict”. This situation is fuelled somewhat by the Italian Government’s lack of strict adherence to the directives of the European Community in maintaining the quality of coastal water for bathing purposes (Fondazione Giovanni Agnelli 1990). In the popular seaside resort of Rimini, a new word has in fact been coined to reflect the effect of poor environmental and construction decisions taken to meet the demand for expansion in the tourism industry in the 1970s. The term “Riminisation” acknowledges these effects and corresponding efforts to redress them⁴⁶. In comparison with environmental standards implemented in Denmark, the process of sustainable development is in an early stage, since like the United States, the general goal is towards commercialising market resources. Innovative strategies have been adopted however to respond to training requirements in the sector, with programs at a most impressive bilateral training centre dedicated to the specific needs of seasonal workers.

Life-long learning in tourism and hospitality

In association with local planning and administration authorities, provincial and regional governments have addressed training in tourism employment. In Rimini, where local governments encourage continuing education programs for employees in tourism, institutes for training of potential employees in the accommodation sector have been developed (Mackun 1998: 268). Private, non-profit organisations, including the Istituto Per Il Lavoro (IPL), which is working to develop flexibility with job protection through a European project INNOFLEX, co-operate with local governments in developing strategies for

⁴⁶ Martinese, Guglielmo Walter 2000, pers comm., May 11th.

life-long training⁴⁷. An important bilateral initiative that has a foundation in Veneto, is the Bilateral Agency for Tourism in Venice (Ente Bilateral per il Turismo a Venezia, EBT). Veneto is one of fifteen regions in Italy with a similar training program that services the tourism industry.

Bilateral agencies were established in the past ten years to enable employees in micro-firms, in which there are high levels of turnover, to have access to the same employment benefits and protection as employees in larger firms. This is an important initiative in relation to the tourism and hospitality industry, since firms with fewer than 15 employees, which assume high proportions in the tourism and hospitality industry, have no legal restrictions on their hiring and firing practices. The new bilateral agencies in the tourism and craft industries have been modelled on the original bilateral agencies established after the Second World War to guarantee health insurance, retirement bonus, paid leave and accrued benefits of length of service for employees in the construction industry. Frequent discontinuities of employment arising from the nature of the building industry, parallels similar conditions of uncertain employment in the tourism industry, where seasonal workers are out of work for two or so months of the year.

The Bilateral Agency for Tourism in Venice was established in 1993 to provide income and employment security for seasonal employees in the Venetian tourism industry (Follis 2000: 5). The services provided include a data bank for job matching⁴⁸, vocational courses⁴⁹, training in health and safety and income support for unemployed workers. Vocational training is available to employees

⁴⁷ Bardi, Andrea 2000, pers. comm., May 11th.

⁴⁸ EBT, Venice provides a unique job matching service, which has successfully placed 250 of the 800 unemployed people who have applied for job assistance. This service, which is not common in other EBT programmes, also offers job training for unemployed workers. The 30 per cent success rate is considered an important means of "fighting against black labour in Venice" (Pesce, Chiara 2000, pers. comm., May 22nd).

⁴⁹ Vocational training includes marketing, standards for food and beverage handling, computer science and foreign languages. Competencies gained through these courses are understood as the most important skills for workers in the tourism industry in Venice (Pesce, Chiara 2000, pers. comm., May 22nd).

in the hotel and restaurant sector during the low season and in other instances when there is a break in their regular employment⁵⁰. Of the 12,000 employees in the tourism and hospitality sector in Venice, 10 per cent participate in training at the Bilateral Agency, each year. Representatives of employers and employees develop the training curriculum in conjunction with teachers and labour market experts.

Beneficiaries of the Agency, including employers and employees, are equally responsible for financing it⁵¹. Since Venice is amongst the top 20 – 30 per cent of world-class tourist cities, employers have a high expectation of all workers, including the lower skilled occupations like maids, to have skills and qualifications and are consequently willing to invest in training⁵². These expectations correspond with the demands of a particular clientele, who are attracted by the high value added services and in turn demand professional standards. In this respect, obvious parallels exist between the Venetian and Danish tourism industry, according to comments made by experts in each of these places⁵³.

The significance of the work of Bilateral Agencies is that they have attempted to address the high rates of labour turnover and the consequent lack of training associated with employment in micro-firms and in seasonal or temporary jobs. Providing funded off-the-job training is a critical service for seasonal workers. Employees who may otherwise have been made redundant in quiet or low seasons receive their regular wage while undertaking training to upgrade and extend their occupational skills. Some courses are of lengthy duration, particularly the study of foreign languages, which is essential for employees in many hotels and restaurants in Venice. While this initiative may

⁵⁰ Employment contracts are frequently interrupted in Venice by renovation work on many old hotels and restaurants.

⁵¹ Pesce, Chiara 2000, pers. comm., May 22nd.

⁵² *ibid*

not be unique to Italy, it provides a model that addresses one innate aspect of this industry that affects multitudes of employees and firms in all parts of the globe. As has been illustrated in other parts of this chapter, social partners working within a socio-political system, which has been strongly influenced by social democratic principles, have established initiatives such as Bilateral Agencies. Such initiatives provide a significant example of the impact of political and social traditions on contemporary practices. Other strategies of trade unions responsible for representing workers in the tourism and hospitality industry have developed through the tri-partite bargaining process.

Collective agreements covering special groups of workers

In a particularly innovative strategy, seasonal workers in tourism and hospitality are now covered by a special collective agreement that has been negotiated by the major unions representing workers in this sector. Under this contract, seasonal workers who earn a large part of their annual salary in a short-term season, are entitled to the benefits of full-time workers. For example, after working 70-80 days they are eligible for the same unemployment and pension benefits as a full-time employee. Employed on a short-term contract (*contratto a termine*), they may work for six months on full salary, and then receive unemployment benefits of 30 per cent of the previous salary for the remaining six months⁵⁴. Hotel and restaurant workers in Venice who have been employed in the industry for one year are covered under a special *disoccupazione* agreement. This entitles them to an extra 30 per cent of their salary in the low season. Thirty per cent is paid by the Ministry of Labour and the additional 30 per cent is paid from the union fund, administered by the Bilateral Agency for Tourism in Venice, (EBT). To be eligible for this income, workers are obliged

⁵³ Parallel comments on this subject were made by Pesce, Chiara 2000, pers. comm., May 22nd and Friis Jensen, Jens, pers. comm., June 13th.

⁵⁴ Many workers move to other regions in the off-season in search of seasonal or stable employment, or work illegally while receiving unemployment payments on the basis of their seasonal job (Conforti, Luciano 2000 pers. comm., May 22nd).

to surrender their employment related documents, effectively preventing them from taking other legal employment, but not excluding them from undeclared employment⁵⁵.

Under a 1990 agreement, seasonal workers with a prior contract have precedence over other workers at the beginning of the new season⁵⁶. As noted earlier, firms with fifteen or less employees are not subject to employment regulations that apply to larger firms, nor are they unionised. In some cases including the seaside resort of Rimini, 40 per cent of workers employed in small and medium hotels do not benefit from the conditions in the above agreements (Martinese and Gregoretti 1996).

In other initiatives to address the changing labour market, each of the three major trade union confederations, CGIL, CISL and UIL have initiated special associations to organise and represent workers in non-standard employment. This development represents attempts by unions to diversify their strategies and provide effective representation to workers in part-time or temporary positions (Angeloni et al. 1999: 105). In the case of UIL, the non-profit association, National Co-ordination for Employment (CPO) was established to offer protection to workers, including new labour market entrants and unemployed workers, who are most severely affected by unemployment (Angeloni et al. 1999: 106). In addition, bargaining strategies that apply to the workers employed without basic social security and welfare provisions, are being developed (Pisani and Bright 2000: 87). As in other OECD countries, little success has been achieved in organising workers in non-standard, precarious jobs in small to medium sized enterprises, but the negotiation of union contracts covering temporary and part-time workers in medium and large firms is a major achievement (Negrelli and Santi 1990: 195).

⁵⁵ Conforti, Luciano 2000 pers. comm., May 22nd, however not all analysts are in agreement with this viewpoint.

⁵⁶ "Nicolo", 2000 pers. comm., May 11th.

In the tourism and hospitality sector in Venice firms enter into enterprise agreements and individual agreements, more so than in other parts of Italy. This factor is related to high levels of union density, which strengthen the collaboration between social partners in negotiating complementary agreements at the enterprise and individual level. Union density of 25 per cent in the tourism and hospitality industry is considerably higher than the national average of 10-12 per cent and 39 per cent in all industries (Visser 1990)⁵⁷. Each agreement increases the benefits included in the national agreement, which is negotiated between the relevant employer and employee associations i.e. FILCAMS-FISASCAT-UILTUCS-FEDERALBERGHI-FIPE-FAVET-FAITA-INTERSIND. Given the dynamic nature of the Venetian tourism industry and the high level of professionalism demanded by a wealthy clientele, employers are willing to increase remuneration levels in order to retain qualified staff and maintain high standards of service.

The effectiveness of union strategies described above is undoubtedly associated with the political, social and institutional strength of labour organisations, which, according to some authors (Pisani and Bright 2000: 88) stretches beyond issues related to the labour market. Employees, retirees, unemployed persons and newcomers to the workplace are organised and represented by unions, which act on social and labour inequities, within and beyond the enterprise. The Catholic Church's 1891 social encyclical *Rerum Novarum* on the role of society and of private initiatives in upholding the rights of workers is often credited (Pisani and Bright 2000: 85) for these developments. Some analysts (Negrelli and Santi 1990: 195) argue that unions' achievements, which have mainly benefited members in traditionally strongly unionised areas, have been moderate. Empirical data for this case study, which was obtained in two of the highest tourist regions in the country, Emilia-

⁵⁷Measuring union density is complicated by the overlap of membership between various parties, the fact that membership is voluntary and partly secret (Sforza, Giuseppe 2000, pers. comm., May 23rd.) Using data provided by the major confederations of trade unions, Visser (1990) has calculated union density as 39 per cent.

Romagna and Veneto, illustrates a range of strategies that attempt to address some of the more obstinate issues facing employees in the tourism and hospitality industry. These developments have occurred in conjunction with concessions that have been won during the past decade of industrial co-operation, including the indexation of state subsidies, wages and pensions to inflation.

Co-operative agreements at the macro and micro level

The transition from an informal, under-institutionalised, centralised system of industrial relations to a more decentralised system based on cooperation between labour and management is linked (Regalia and Regini 1995: 131) to the respective roles played by employer and labour organisations. The shift from national agreements to regional and enterprise ones, widespread in other parts of Western Europe, is associated with collaboration between unions, firms and common institutions in increasing the supply of skilled labour. This transition has been linked (Bamber and Lansbury 1998: 24; Negrelli and Santi 1990: 178) with the industrial success in certain regions, such as the 'Third Italy'. The centre of employer organisations and industry level collective agreements is understood (Ferner and Hyman 1992b: 529) to be located in this area.

The current era of collaboration between labour and management has been generated by the demand for greater flexibility in employment practices and workplace organisation (Regalia and Regini 1995: 158). Regalia and Regini (1995: 159) argue that the new pragmatic partnership between the two parties in the employment contract evolved in conjunction with economic and technological developments being addressed by all industrialised countries. This section has identified a number of strategies adopted by the respective parties, noting various institutional variables, including the organisational strength and capacity of the labour movement. Baccaro (1999), for example, argues that trade unions played a strategic role in stabilising the 1993 incomes policy agreement, which marks a shift from "antagonism to participation" (Boni 1994).

The resurgence of tri-partite negotiations between government, employers and unions has occurred in conjunction with the pursuit of more flexible employment relations notable in other industrialised nations. What is remarkable in this case is the emergence of a new era of economic and industrial co-operation that is unparalleled in other similar market economies. Some authors (Baglioni 1999; Regalia and Regini 1998: 467) argue that pressure to conform to the convergence criteria of European Economic Monetary Union has been responsible for these developments. It is nonetheless noteworthy that subject to powerful economic and ideological pressures Italian authorities are addressing severe labour market problems by adopting practices that have deep historical foundations.

Conclusion

As the sixth strongest economy in the industrialised world, Italy has absorbed the effects associated with economic globalisation in a historically unstable political environment. The formulation and implementation of public policy is influenced by a complex interaction of separate ideological traditions. Political institutions and their response to labour issues have been strongly influenced by both the conservative Catholic and the Communist tradition, despite the fact that the Communist Party has been sidelined from mainstream political involvement for much of the past five and a half decades. A change from a centre-left to a right-wing government in June 2001 reflects the unpredictability of electoral outcomes, which have seen almost as many governments formed since World War II as there are years.

Despite this intrinsic political instability, a coherent pattern emerges in this analysis of the evolution of employment relations during the past three decades. Social democratic tendencies that pervade Italian society underlie recent policy developments and the nature of the institutions that implement them. At the same time, within this environment a range of paradoxical elements are evident, to the point that in the same way as instability

characterises the electoral process, contradictions are a feature of the labour market and to some extent the institutions that regulate it. The ironies of the labour market can best be summed up in the extremes that exist between the tightly functioning employment market in the industrial north and the very dysfunctional labour market in the south, which registers the highest rates of youth and female unemployment in the OECD. Contradictions in the institutional structure are reflected in the fact that employment in the core labour market is more highly regulated than most other OECD countries, while the working conditions of a huge percentage of irregularly employed persons are completely unregulated. Likewise, strict rules govern certain representative practices of unions but there is an absence of guidelines for the collective bargaining process. These factors serve as a constant reminder of the contrariety inherent in the Italian industrial relations and political systems, which permit radical changes and deeply imbedded continuities to co-exist harmoniously.

In this chapter, attention has focused on reform of the major policy areas affecting employment and employment relations, with reference to the impact of external, particularly regional influences. Since many of these changes have been designed to improve the employment opportunities of persons most disadvantaged in the current labour market, because of age, gender or geography, they are concentrated in the southern regions. Reform of the taxation and welfare system however, is intended to reduce the tax burden on all employers and generate more employment. Institutional change of the collective bargaining system has been geared towards making it, as well as the general labour market, more flexible. In addition, tri-partite agreements particularly the national wages and incomes policy, have occurred with the co-operation of social partners intent on improving the functioning of individual enterprises, the labour market and the economy in general.

By examining strategies adopted by social partners in their attempts to resolve some of the more problematic aspects of employment in the tourism and

hospitality industry in two regions in which activity in this sector is substantial, a unique insight is gained into the Italian approach to contemporary problems. In this country, which is characterised by low rates of employment and high levels of unemployment that all OECD countries seek to avoid with varying degrees of success, innovative measures have been implemented in response to one of the more critical issues of modern labour markets. In this instance, the employment and income insecurity of short-term seasonal employment has been addressed through the collective bargaining process and by establishing bi-partite programs. The uncertainty associated with seasonal employment is alleviated through structural processes that have few parallels outside this country. While they resemble some of the gains made through national and sectoral agreements in Denmark, they would appear foreign in the United States context. This small example substantiates the main argument of this thesis. It becomes evident that developments occurring in Italy are only possible, realistic and achievable because of the nature of the society that has produced them. They could not be replicated in another similar market economy any more than they could evolve in precisely the same way as they have in Italy.

Chapter 7

A Case Study of Consensual Labour Relations in Denmark

Introduction

The social democratic tendencies prevalent in continental European countries are highlighted in this small Scandinavian country, which exemplifies many of the stronger aspects of this tradition. While Denmark shares many of the historical and regional characteristics affecting labour market developments in Italy, different cultural and institutional arrangements have produced a society with few direct parallels with its Southern European counterpart. This chapter will explore the Danish response to the labour market effects of intensified flows of goods and capital and changing patterns of production and investment in conjunction with the use of new technologies.

Since empirical research for this thesis is focused on the tourism and hospitality industry, particular attention will be paid to the effect of economic restructuring on employment in this industry. Analysis of this sector of the labour market, which has been identified for its propensity to absorb the most defining characteristics of contemporary societies under pressure, will identify trends occurring in the broader labour market. For instance, employees in the Danish tourism and hospitality industry, as in the general labour market, have

been subject to lower rates of unemployment and non-standard employment and less wage disparity than those in similar market economies. This trend is in direct contrast with developments in many other industrialised nations.

Belonging to the Nordic region of Europe, Denmark has a number of unique cultural features, which it shares with its Scandinavian neighbours. One of the more striking characteristics is a consensual style of processing policy and administrative matters. This practice has deep historical roots in an institutionalised system of tri-partite regulation. In fact, as mentioned in chapter 5, Denmark was one of the first industrialised countries to develop a centrally bargained system of negotiating employment conditions between representatives of employers and labour organisations (Crouch 1994). Furthermore, when compared with corresponding systems of collective bargaining, which were established considerably later in Norway and Sweden, the Danish system has arguably (Due et al. 1994: 7) undergone less modification under pressure from global economic forces. This factor speaks of the comparative strength of the system itself and of its consistency with broader social and political objectives.

A long tradition of social democratic governance is another determining feature of the way policy and institutional frameworks have been established, and in turn restructured during past decades. The profound influence of social democratic customs on Denmark's political culture, is demonstrated in its economic institutions and by high levels of government expenditure on health, education and welfare services. For example, expenditure on active and passive labour market measures and the rate of investment in education as a percentage of GDP, is amongst the highest of all OECD countries. During the past decade particularly, Denmark has become widely renowned for the labour market success it has achieved by integrating comprehensive labour market, education and welfare policies, which are supported by tightly woven safety nets. These institutional and policy settings will be examined in this chapter. In particular, ideological foundations and their influence on the current reform process will be identified.

This chapter begins with a brief analysis of labour market trends in the tourism and hospitality industry, which are situated within broad economic developments. The key elements of the Danish model of employment relations are identified in order to sketch the institutional framework that supports current policy reforms. An investigation of the more significant decisions affecting reform of policies governing employment relations, vocational education and training, labour market programs and the social security system will focus on the measures adopted to improve employment opportunities in the current economic environment. With a view to isolating the distinctly national outcomes that this particular society is producing, the strategies adopted by government, employer and trade union organisations to address contemporary issues affecting the tourism and hospitality industry will be examined. Since the fundamental aim of this analysis is to discern the essential characteristics of the Danish approach to contemporary labour market issues and secondly, to identify their origins, a discussion synthesising the central components of each of these aspects will conclude the chapter.

Regaining Stability amidst Global Economic Inconsistency

As a very successful export economy, Denmark has maintained a high rate of economic growth and strong domestic demand since 1993 (Madsen 1999: 48), following economic instability of the two previous decades. In a small country of 5.2 million people, where employment patterns are dominated by small and medium sized enterprises, Denmark's productivity rate per capita is amongst the highest of all OECD countries. In this measure, it follows in fourth place after the United States, Switzerland and Japan (Ministry of Education 1998: 6). Amongst OECD countries, it has the sixth highest rate of GDP per capita (OECD 2000g: 79). During 1999, inflation, which has been 2.2 per cent for the previous four years, rose above 3 per cent, while GDP growth slowed to 1.6 per cent (OECD 2000a: 9). GDP growth is projected to expand in 2000 and 2001, by 2.25 per cent and 2.50 per cent respectively. These trends are in the wake of

strong economic growth during the second half of 1999, despite a very low rate of economic growth in the first part of the year (OECD 2000f: 1). The expansionary effects of monetary policy, associated in part with a comparatively high level of investment in public expenditure, have been offset by fiscal policy (OECD 2000a: 20). At the same time, public borrowing has been reduced from 70 per cent of GNP in 1995, to a projected 50 per cent in 2000 (Due, Madsen, and Jensen 2000: 2).

In spite of fluctuations in economic growth in recent years, current indicators reflect favourable outcomes for both the economy and the labour market. The budget balance has improved more than in most other OECD countries as a result of export led growth and projected increases in domestic spending. These trends are expected (OECD 2000a: 10, 20) to generate higher employment and increase real disposable incomes. Real wage increases rose from just below 4 per cent in 1996 and 1997 to over 4.5 per cent in 1998, with public sector employees in the local authorities and counties earning the largest increases (Due, Madsen, and Jensen 2000: 14). A relatively compressed wage system that contrasts with most other industrialised countries, particularly the United States (Hoffmann and Ulrich 2000: 16; OECD 2000a: 12), has been linked (Madsen 1999: 16) to the high premium placed on labour market skills and qualifications, which has in turn resulted in a narrow diffusion of skills. In addition to these features, rapid transformation from an agricultural economy to a wealthy industrialised one during the past four decades has impacted on the socio-economic status of the population and the structure of the labour market.

Tourism and Hospitality Employment in one of Europe's most Successful Labour Markets

As a small homogeneous nation with one of the highest labour force participation rates in the OECD and one of the lowest rates of unemployment (OECD 2000a: 15), Denmark has earned the reputation for having achieved an "employment miracle" (Madsen 1999: 1). High levels of unemployment

recorded from the late 1980s until the mid 1990s have gradually fallen to 5.4 per cent (OECD 2000g: 20), long-term unemployment has been reduced by 50 per cent and youth unemployment is now 7 per cent. The capacity to reduce unemployment rates and maintain high employment rates, particularly a high female participation rate, which is the third highest behind Iceland and Norway (OECD 2000g: 16) has drawn considerable attention from policymakers in other countries seeking similar objectives. A number of the characteristics of the Danish labour market are outlined here.

Low levels of structural unemployment

While many other OECD countries, particularly in Western Europe, are struggling to combat high levels of structural unemployment, unemployment in Denmark has reached its lowest level in twenty-four years (Jorgensen 2000: 107). Its capacity to simultaneously increase the share of persons in employment and reduce official unemployment has been attributed to higher economic growth, the popularity of paid leave¹, early retirement schemes (Due, Madsen, and Jensen 2000: 3; Madsen 2000: 1) and labour market reform implemented in the early 1990s (Hansen 1999; Madsen 2000: 1). While approximately one third of the labour force may experience unemployment in a twelve-month period, the duration of unemployment does not generally exceed three or four weeks (Lind 1995: 249).

An outstanding achievement of the past decade is the reduction of youth unemployment. While the employment rate of young people increased 7 per cent from 1994 to 1998² (Bredgaard and Jorgensen 2000: 15), the

¹ The three main forms of paid leave include education leave, sabbatical leave and child-minding leave, all of which are possible for a maximum duration of one year. In the case of education and sabbatical leave, the applicant must be eligible for unemployment benefits (Madsen 1999: 72). Since 1999, sabbatical leave is no longer available.

² The fact that 59 per cent of 15-19 year old secondary students have part-time employment accounts for some of the increase in the youth employment rate. This trend is considered by some authors (OECD 1999c: 19) as an important element in assisting youth in their transition from school to work.

unemployment of youth under 22 halved between 1989 and 1996 (OECD 1999c: 13) and now registers less than 10 per cent for youth under the age of 25³ (OECD 2000g: 82). Demographic changes that have contributed to the lower youth employment rate include the declining youth cohort (Ministry of Education 1998: 2) and the fact that more young people are now studying beyond the level of compulsory education (Maaloe and Haandvaerkerhojskolen 1994: 11). Cyclical fluctuations in youth employment and the fact that people participating in labour market programs are not counted in the unemployment statistics are likewise considered (Bredgaard and Jorgensen 2000: 19,20,21) to have a favourable impact on the official rate of unemployment. Within a labour market, which maintains low levels of general unemployment, the prospects of inexperienced and unskilled workers are enhanced considerably.

Employment opportunities of unskilled workers

Because of the high employment rate, unskilled workers have increased labour market opportunities with the result that their level of unemployment has been reduced (Hoffmann and Ulrich 2000: 10). The reduction of wages for low-paid or unskilled workers has also been avoided in Denmark (Lind 1998a: 249), by comparison with the deregulated labour markets of the United States, Britain and New Zealand, which register the opposite trend. For example, since 1987, skilled workers and low-paid salaried employees have been the groups to experience a relative fall in income (Lind 1998a: 257), rather than unskilled male and female workers and those with the highest incidence of unemployment, as in other OECD countries. A number of explanations are proposed for the comparatively low incidence of low-wage employment in Denmark. Some authors (Madsen 1999: 58; Pedersen, Pedersen, and Smith 1995: 22) suggest that the heavy burden of direct and indirect tax in combination with high levels of unemployment benefits creates employment disincentives, particularly for

³ Using statistical data from Danmarks Statistik, Bredgaard and Jorgensen (2000) show that unemployment of 16-24 year olds was reduced from 12 per cent to 4 per cent between 1993

unemployed workers, who may be unwilling to accept temporary low-paid jobs while seeking employment.

As in other OECD countries, hotels and restaurants absorb a large proportion of workers with limited skills and labour market experience. Part-time, temporary and seasonal employment is very common in this industry and in the retail trade (Lind 1998a: 250), where young people, including secondary and tertiary students and recently arrived migrants, do much of the seasonal and temporary work. Low-skilled, low-wage positions in hotels and restaurants attract a higher than average number of immigrants, as a percentage of the total labour force⁴ and provide employment for the influx of new arrivals from parts of Eastern Europe, Africa, Asia and the Middle East. While Denmark is a less popular destination for refugees than the larger European countries, its foreign labour force of 3.2 per cent (OECD 2000g: 16), traditionally from other Nordic countries, is steadily being supplemented by new arrivals in search of employment (Ministry of Education 1998: 3). In association with these trends is the increase in “black labour”. While it is not possible to quantify the incidence of this form of employment, which is not restricted to the hospitality industry⁵, it is known to exist particularly amongst students and workers from different ethnic backgrounds, who receive low wages because they are employed illegally by small companies seeking to reduce labour costs by ignoring labour market regulations. For these reasons, employers, academics and certain tourism development authorities argue that more flexibility is needed in order to protect workers at the weak end of the labour market, since their employment opportunities are reduced through competition from workers willing to work for lower wages.

and 1999.

⁴ Alsoe, Per 2000 pers. comm. June 21st.

⁵ Hammer, Bo pers. comm., June 21st. It was also noted in this interview, that tradespersons, particularly in the building industry work in the black economy on weekends and evenings to avoid the high marginal tax rate.

As identified in these trends, the Danish labour market has not been exempt from the contemporary phenomenon of marginalisation both within and outside the labour market. While the latter form of marginalisation has been reduced in conjunction with lower unemployment rates, recent studies (Thaulow and Friche 2000) show that changes in work organisation are contributing to latent and manifest marginalisation of employees. Furthermore, this study suggests that there is increased polarisation between permanent employees and temporary employees, because of the employment insecurity of the latter group of workers. By comparison with other OECD countries however, non-standard employment, particularly part-time employment has remained stable in Denmark.

Incidence of part-time employment

Part-time employment, which is defined as less than 30 hours a week⁶, has trended steadily downwards since 1979⁷. See table 20. A number of social, institutional and historical factors are responsible for declining levels of part-time employment and comparatively low rates of non-standard employment. For instance, Danish sectoral agreements exert a high degree of regulation in the way working hours are adjusted to meet fluctuations in demand. Part-time positions are restricted under national collective agreements, which specify that the introduction of positions of 15-30 hours per week do not result in the reduction of full-time positions (Knudsen, Lind, and Sorensen 2000: 25). In sectoral agreements, a measure of flexibility is incorporated, according to the needs of the industry. In the hotel and restaurant industry, for example, where consumer demands vary considerably because of its seasonal nature, part-time workers are employed on the basis that they work a minimum of 60 hours and a maximum of 148 hours over a four-week period, with some room for variation.

⁶ This OECD definition is used throughout the thesis to discuss part-time work, in accordance with the OECD (1997a) study on *The definition of part-time work for the purpose of international comparisons*.

⁷ The total number of employees working part-time fell from 498,000 in 1984 and 500,000 in 1991 to 445,000 in 1993 (Lind 1998a: 253).

Table 20 Trends in part-time employment in OECD countries

	1973	1979	1983	1988	1993	1998
Australia (d)	11.9	15.9	17.5	21.5	23.9	25.9
Austria	6.4	7.6	8.4	..	10.1	11.5
Belgium	3.8	6.0	8.1	13.2	12.8	16.3
Canada	9.7	13.8	16.8	16.8	19.1	18.9
Czech Republic	..	..	..	..	6.4	3.3
Denmark	..	22.7	23.8	19.0	23.3	17.0
Finland (d)	..	6.7	8.3	7.4	8.6	9.6
France	5.9	8.1	9.6	12.3	13.7	14.8
Germany	10.1	11.4	12.6	11.4(g)	15.1	16.6
Greece	..	..	6.5	6.9	4.4	9.0
Iceland	..	..	..	..	27.3	23.2
Ireland	..	5.1	6.7	9.3	10.8	18.0
Italy	6.4	5.3	4.6	8.3	5.4	11.2
Japan (d,e)	13.9	15.4	16.2	16.9	21.1	23.6
Korea (d)				5.2(h)		6.8
Luxembourg	5.8	5.8	6.7	7.1	7.3	12.8
Mexico	..	..	..	..	26.7	15.0
Netherlands (a)	..	16.6	21.2	26.8	35.0	30.0
New Zealand	11.2	13.9	15.3	18.1	21.2	22.8
Norway (b)	23.0	27.3	29.6	21.8(h)	27.1	20.8
Poland(d)	..	..	..	..	..	11.8
Portugal	..	7.8	..	6.7	7.4	9.9
Spain	..	..	..	5.0	6.6	7.7
Sweden (c)	..	23.6	24.8	16.0	24.9	13.5
Switzerland	..	..	..	..	28.1	24.2
Turkey	..	..	..	7.8	26.3	6.2
United Kingdom	16.0	16.4	19.4	20.5	23.4	23.0
United States (f)	15.6	16.4	18.4	14.2c	17.6	13.4
G7(1)				14.7		17.0
EU-15(1)				13.6		15.9
OECD Total(1)				13.7		15.5

a. Break in series after 1985.

b. Break in series after 1987

c. Break in series after 1986, and after 1992

d. Actual hours worked

e. Based on 35 hours worked or less per week.

f. Dependent employment

g. Former West Germany only

h. 1989

i. New definition between the two data points

j. 1997

.. not available

1 Totals include only countries for which data are shown in this table.

Sources: 1973,79,83,93 data (OECD 1997a: 20); 1988,98 data (OECD 2000g: 18,19). Since this data is obtained from two different sources, there appear to be some discrepancies, particularly in the case of Turkey.

Part-time employment is frequently associated with women aged between 24 and 44, with young people aged 15 to 24 (OECD 1997a: 9) and with public sector employment. Since Denmark has a relatively high female labour force participation rate⁸, high rates of participation in education⁹ and a large female dominated public sector, these factors combine to increase the likelihood of part-time employment. In the decade between 1983 and 1993, it is notable (Lind 1998a: 253) that female part-time employment has fallen relative to male part-time employment, with the ratio of women and men in part-time employment changing from 3:1 to 2:1. While the provision of publicly funded and subsidised child-care arrangements has traditionally facilitated the increase of women entering the Danish labour market¹⁰, the availability of leave for both parents has increased women's options regarding full-time or part-time employment. For instance, provisions for leave include maternity leave of 28 weeks, 2 weeks paternity leave¹¹ and parental leave for 13 weeks maximum for each child. Under recent collective agreements, women employed in the public sector are now eligible for maternity leave on full wages (Pedersen, Pedersen, and Smith 1995: 30). Since a large percentage of women make use of parental leave (Ministry of Labour/Ministry of Economic Affairs 2000: 23), it can be assumed that leave options provide incentives for women to opt for full-time employment. Disincentives to engage in part-time employment, on the other

⁸ The female labour force participation rate of 75.3 per cent is exceeded only by Iceland with a rate of 81.2 per cent and Norway with a rate of 76.3 per cent.

⁹ 71.9 per cent of persons aged 15-25 were in education in 1998 (Hoffmann and Ulrich 2000: 20), while almost 80 per cent of students over 19 years of age had part-time employment in 1996, an increase from 70 per cent in 1989 (OECD 1999c: 20).

¹⁰ All child care services attract public financial support with the result that parents pay a maximum of 35 per cent of the variable costs and low income families receive public means tested subsidies for child care assistance (Pedersen, Pedersen, and Smith 1995: 29).

¹¹ Approximately 72-74 per cent of women utilise maternity leave (Ministry of Labour/Ministry of Economic Affairs 2000: 23). A very high percentage of fathers apply for the two weeks leave for which they are eligible during the first 14 weeks after childbirth. In weeks 15-24, when either parent may apply for leave, 3 per cent of fathers utilised this leave in 1999 and 17 per cent applied for leave during weeks 25-26. Since April 1998, paternity leave during weeks 25-26 is available with full wages (Ministry of Labour/Ministry of Economic Affairs 2000: 23).

hand, include the fact that part-time workers who become unemployed are eligible for part-time unemployment benefits, which arguably do not guarantee a liveable income¹². In addition, under the social security system employees are not eligible to claim unemployment benefits unless they have been employed for a minimum of 16 hours a week¹³, nor are they eligible for employer contributions to the supplementary pension scheme unless they have worked a minimum of 39 hours a month (Hoffmann and Ulrich 2000: 14).

Table 21 Employment by sector, Denmark

INDUSTRY	%
Agriculture	5
Manufacturing	19
Construction	5
Trade, Restaurants, Hotels	17
Finance	11
Education and Research	7
Social and Health Services	16
Other Services	13
Not stated	1
Total	100

Source: (Ministry of Education 1998: 6).

The declining incidence of part-time employment has occurred in conjunction with an increase in service sector employment, which is generally linked with employment that is less regulated. For instance, service sector employment now accounts for 69.6 per cent of total employment, of which 17 per cent is in restaurants, hotels and other trade (OECD 2000g: 16). See table 21. Another significant fact, by comparison with other OECD countries, where non-standard part-time, casual and temporary employment predominates in the restaurant, hotel, wholesale and retail trade sector, is that according to official statistics (Danmarks Statistik 2000) this sector is the fourth largest provider of full-time jobs in Denmark. Even though the Danish labour market is considered

¹² Thomsen, Britta 2000 pers. comm., June 21st.

¹³ Data collected in Symposium on Danish Labour Market Trends, Department of Planning Aalborg University, Denmark June 19th, 2000.

one of the more flexible in the region, by comparison with other European nations, there are substantially more regulations governing non-standard employment arrangements.

A flexible, regulated labour market

The degree of labour market flexibility found in Denmark, which is gauged in terms of job mobility and comparatively limited employment protection against dismissal (OECD 1994b), is unique amongst continental European countries. In this aspect, it more closely resembles the United States labour market and presents a complete contrast to the Italian labour market, which is known for its very tightly regulated institutions. One significant aspect of increased labour market flexibility is that it has occurred in conjunction with relatively low levels of job insecurity¹⁴ (OECD 1997, July). Conversely, in other OECD countries, there is a correlation between increased flexibility and increased job insecurity.

In association with Denmark's flexible labour market is an increase in the share of standard work arrangements and a decrease in non-standard employment arrangements, or according to Hoffman and Ulrich (2000: 7, 9) a "renaissance of *normal employment*". This is a very surprising trend, in relation to the increase in non-standard employment in most other OECD countries, where labour market flexibility is being pursued with the aim of reducing unemployment. Italy is one such example of this trend, since part-time employment increased from 8.3 per cent to 11.2 per cent in the decade prior to 1998 (OECD 2000g: 19). On the other hand, in the United States, which is perhaps the strongest example of both labour market flexibility and the absence of employment regulations, part-time employment is also decreasing, falling from 14.2 per cent to 13.4 per cent in the same ten year period (OECD 2000g: 19). Denmark and the United States both have declining rates of part-time

¹⁴ Denmark has a slightly lower rate of job mobility than the United States. However, the share of workers not strongly agreeing that their job is secure is 64 per cent in the United States compared to 42 per cent in Denmark (Madsen 1999: 16).

employment, which are considerably lower than a number of other OECD countries, including Australia, Iceland, Japan, the Netherlands, New Zealand, Switzerland and the United Kingdom¹⁵ (OECD 2000g: 18, 19).

In recent bargaining rounds, Danish workers have agreed to employer demands for greater flexibility both in the distribution of hours worked each month or year and for more flexible working time arrangements at the enterprise level. Weekly working hours of 37 are already less than most other OECD countries¹⁶. The government and employers on the other hand have pursued an increase in the number of hours worked annually¹⁷, by designing incentives to encourage workers to retire at 65 or 62 instead of 60 (Due, Madsen, and Jensen 2000: 17). These trends are in direct contrast with the long-term trend towards shorter working hours in other European countries, where unemployment rates are higher.

Strengths and weaknesses of the Danish labour market

One observation from the above analysis is that a number of the developments occurring in other OECD countries are apparent in Denmark, but with lesser intensity. In some cases, counter trends are producing different outcomes from other similar market economies. For instance, by comparison with other nations, particularly the United States and the United Kingdom where income dispersion is widening, the Danish system actually narrowed the rate of income dispersion between 1986 and 1992 (Madsen 1999: 17). One consequence of

¹⁵ There is a wide difference between the data quoted in this thesis from *OECD in Figures 2000* (OECD 2000g) and other sources. The distribution of non-standard employment varies considerably, for example, some countries including Italy and Spain have high levels of self-employed and temporary workers, but low levels of part-time workers, while Denmark is the complete opposite. It is therefore, very important in each instance to distinguish the category of non-standard employees that are being discussed and compared.

¹⁶ With the exception of Germany, Denmark has the shortest working year, since workers are contracted to work a little less than 1700 hours a year (Due, Madsen, and Jensen 2000: 17).

¹⁷ Employers have pursued an increase in the number of hours worked in order to maintain competitiveness, while government recommendations that employees work longer hours are based on concerns related to financing the welfare system.

lower rates of unemployment and its shorter duration is that the labour market position of low-skilled and inexperienced workers has not deteriorated as in other OECD countries. Institutionalised support for unemployed workers reduces the incidence of illegal, low-paid jobs, which are evident but to a lesser extent than in other industrialised nations, most notably Italy. In some quarters, it is argued that labour market regulations are responsible for increasing levels of illegal employment.

The nature of part-time employment is distinctive by the fact that it is in decline and secondly, it is subject to more regulations concerning the number of hours worked and the number of part-time positions in relation to full-time positions. These regulations are in marked contrast with other nations, particularly the United States. The industry under examination, the hotel and restaurant sector, which is characterised by its propensity to generate employment that is temporary, insecure and low paying in other similar market economies, provides a significant source of full-time employment in Denmark. This brief analysis of the Danish labour market, with its capacity to create jobs and maintain high levels of employment and income security, despite the limited degree of protection against dismissal, presents somewhat of a conundrum in the context of the global employment debate. In the course of this chapter, the unique combination of formal and informal labour market institutions and practices that have created this unique situation will be examined. Microeconomic policy reform will be analysed with reference to the historical, institutional and cultural influences that have shaped the contemporary system of employment regulation.

The Danish Consensus Model of Employment Relations

Organised within a strong social democratic tradition, the Danish consensus model of industrial relations is characterised by a system of centralised and nationwide agreements between highly organised employers and employee organisations and legislation that provides basic protection for workers.

Collective agreements, which are usually but not always negotiated bi-annually, determine industry relevant regulations, and employment legislation strengthens the terms of collective agreements (Due 1999: 11). There is no legislation governing the process, extent and structure of collective bargaining, since the partners in the bargaining process establish the necessary procedures and rules themselves (Knudsen, Lind, and Sorensen 2000: 19). The Basic Agreement between the employers' confederation and the trade union federation, rather than formal legislation provides the foundation on which collective agreements and the system of organisations regulating the labour market are based. Through the collective bargaining system, not only are conflicts between parties representing competing interests negotiated and resolved but also political and economic issues are managed according to unique traditional practices.

Origins of the collective approach to employment regulation

Denmark was a frontrunner in developing a centrally bargained system of negotiating employment conditions between representatives of employers' and labour organisations (Crouch 1994). The first significant agreement concerning labour market standards and directives for resolving disputes was concluded in 1899, (Sommer, Andersen, and Olesen 1996: 135) between the Danish Employers Confederation, (Dansk Arbejdsgivforening or DA) and the Danish Confederation of Trade Unions (Landsorganisationen or LO)¹⁸. Often referred to as "The September Compromise" it determined the basic principles for regulating employment relations, using collective agreements as the main vehicle for determining wages and working conditions and for resolving disagreements between the competing partners in the labour contract. According to the practice of reciprocal recognition of the right of both parties to organise, the rights of employers to direct employment and the rights of workers to strike were specified. Rules concerning procedures for reaching agreement and for

¹⁸ All members of the labour market are covered by this agreement, including those who do not belong to the major employer and employee organisations.

refraining from industrial action during the term of a valid agreement were determined. While minor adjustments have been made to the Basic Agreement, it is considered by some analysts (Due 1999: 1) that the original 1899 agreement has altered very little.

Corresponding systems of collective bargaining, which were established much later in Norway and Sweden, are understood (Due et al. 1994: 7) to have undergone greater modification than the Danish system under the impact of the internationalising pressures to which all market-regulated industrial economies have been subjected¹⁹. Continuous governance by the Social Democratic Party during much of this century is arguably (Ministry of Education 1998: 3) one reason for the relatively stable political conditions that have been maintained²⁰. Since the electoral defeat of the Social Democratic Party by a right-wing coalition in November 2001, it can be assumed that the long tradition in which trade unions played a major role is under some form of review. As this is the first time since 1929 that the Government is not dependant on one or more centre parties, it will be the task of future studies to analyse the causes and consequences of this significant political event. Under previous regimes, legislative reform has been adopted based on political compromises common in other Nordic countries. In regard to employment relations, these changes have been minor.

Role of the state in industrial relations

Legislation regulates conditions concerning health and safety, minimum rest periods, holidays and mass redundancies, but there are no statutory minimum wages (Knudsen, Lind, and Sorensen 2000: 3). Legislation also directs the

¹⁹ It is noted by these authors (Due et al. 1994: 13) that the Swedish consensus model of industrial relations is currently being dismantled.

²⁰ Since 1929, the Social Democratic Party has been constantly re-elected apart from three short periods (namely 1945-47, 1950-53, and 1968-71) and the decade prior to 1993 when a conservative-liberal coalition was in office. The party has always been dependant on cooperation with centre parties while in Government since it has never had a majority in parliament.

rulings of the Industrial Court in conciliating and arbitrating industrial issues, including breaches of collective agreements and problems concerning the way agreements are interpreted (Due 1999: 2). Labour law statutes regulate conditions for specific groups of workers and particular situations, including discrimination in the labour market, equal remuneration, equal treatment and protection against dismissal for salaried employees²¹ (Danish Ministry of Labour 1996: 9, 10). The Ministry of Labour, which designs and implements labour market policy, is responsible for the relevant legislation concerning mediation in collective bargaining and regulations of the working environment. It also oversees the administration of the vocational education and training system, a range of employment services and the unemployment insurance scheme (Ministry of Education 1998: 3).

Political intervention in the form of legislation occurs only when industrial conciliation between the two parties of the bargaining process fail to reach an agreement and negotiations break down. Direct state intervention in bi-partite negotiations, which has occurred in four out of ten rounds of collective bargaining during the past 20 years²², has led some analysts (Lind 1998a) to describe Danish industrial relations as a corporatist rather than a voluntarist model. Other analysts (Due 1999) argue that the state has an insignificant role in shaping labour market relations, since collective agreements

²¹ Current legislation, much of which is derived from European Union directives includes: The Legal Relationship (Employers and Employees) Act, The Merchant Shipping Act, The Civil Servants' Act, The Act on the employer's duty to inform employees of the conditions of the employment relationship, The Act on the use of certain information on health, etc on the labour market, The Holiday Act, The Act on leave to perform military service and leave to do service for the UN, The Act on protection against dismissal due to organisational matters, The Act on the legal status of employees in connection with transfers of undertakings, The Act on the Employees' Capital Pension Fund, The Act on European Works Councils, The Equal Treatment Act, The Equal Remuneration Act and the Act against discrimination in the labour market (Danish Ministry of Labour 1996: 9, 10).

²² The state has influenced wage increases by recommending a wage level beyond which taxes would be raised as a prohibitive measure. In two instances, state intervention resulted in the reduction and finally the removal of the cost of living adjustment from wages in the 1979, 1981 and 1983 agreements, and in 1985, state intervention resulted in the reduction of working hours by one hour per week (Lind 1998a: 255).

negotiated between employer and employee representatives determine employment regulations.

Role of Social Partners

Social partners including trade union, employer and government representatives, have a unique role in the regulation of labour issues within the Danish consensus model of industrial relations. This is reflected by their participation on labour market commissions, boards and councils and in employer and employee representatives' capacity to influence broader political and economic developments through the collective bargaining process. While the major employers and trade unions organisations determine the relevant matters at the national level, individual trade unions, or an industry specific alliance of trade unions are responsible for negotiating collective agreements. The sector or industry bargaining unit is of greater significance, according to some analysts (Knudsen, Lind, and Sorensen 2000: 19).

The high level of membership in trade unions and employer federations is largely responsible for the fact that the Danish labour market is arguably (Due 1999: 5) "one of the most thoroughly organised labour markets in the world" and one of the most peaceful (Danish Ministry of Labour 1996: 2). Eighty per cent of the private sector workforce and almost 100 per cent of the public sector is organised (Ministry of Education 1998: 6). About 50 per cent of all workers are employed by firms that belong to the Danish Employers Confederation (DA) and while approximately one third of the labour force is employed by firms not affiliated with the DA, the conditions under which they work are similar to those that are (Due 1999: 5).

Enterprises in which employers do not belong to an employer association do not have a collective agreement, regardless of the number of union members, however union members working in establishments without an agreement often

demand similar conditions to those negotiated in their respective industry²³. Since wages are determined by collective agreements, employers with agreements pressurise those without agreements to negotiate one, in order to equalise the competition²⁴. It is considered rare therefore, for people to work for low wages even without an agreement, because the terms of agreements are well known to all employers²⁵ and the unemployment insurance system assists workers in their transition to a new position.

Comprehensive social security system

While workers may be displaced from employment more easily than in the majority of other OECD countries, they do not generally face the same degree of employment insecurity because of the availability of unemployment insurance, which for low-paid workers is payable at a rate of ninety per cent of earnings in previous employment²⁶. This is an example of the “flexicurity approach” (Hoffmann and Ulrich 2000: 27; Madsen 2000: 18) used in European Union terminology. According to Madsen (2000: 18) a unique combination of a flexible labour market, which generates jobs, active labour market policies that provide job training to unemployed persons, who are eligible for high levels of unemployment insurance while seeking employment²⁷, represents the “golden

²³ In this case, a company level agreement states that the enterprise follows the collective agreement for the sector.

²⁴ Knudsen, Herman, 2000 pers. comm., June 19th.

²⁵ Novak, Kenneth, 2000 pers. comm., June 15th.

²⁶ The compensation rate on average is between 50 and 60 per cent. In addition, under the terms of the co-operation agreement between the DA and LO, workers who are displaced by new technology are eligible to take leave for four weeks to participate in vocational training that will equip them for alternative employment (Knudsen, Lind, and Sorensen 2000: 20).

²⁷ One consequence of the high level of insurance payable to unemployed persons is that they are not forced to accept employment in low paying jobs in the same manner as they are in countries which provide a lower level of financial support and other forms of social benefits for unemployed persons. This may be one reason why both higher wages and higher standards of employment have been maintained in Denmark. While attempts to radically reduce the level of unemployment insurance have not succeeded, it is argued (Lind 1998b: 11) that the effect of recent reforms of unemployment policy has been to create a significant shift

triangle” of the Danish employment system. This exceptional interaction of flexibility and security combines components of diverse labour market strategies found in the United States, United Kingdom, Canadian and Irish models of flexibility with the active labour market policies and social security systems found in the other Nordic welfare states.

The highly coordinated system of health, education and social security, which includes unemployment insurance, social welfare and social pensions, is funded by direct income taxation. Since the tax burden is amongst the highest of all OECD countries (Ministry of Education 1998: 5) these welfare programs have come under considerable pressure of reform in the past two decades. In contrast to a number of other countries, namely the United States under the new Bush Administration, which has introduced legislation providing long-term tax relief, income tax in Denmark increased after the 1999 tax reforms. Currently, more than one third of full-time workers pay a marginal tax rate of 68 per cent²⁸. Despite this heavy taxpayer burden, it is considered (Madsen 1999: 9) that in comparison with other Nordic countries, Denmark applies more elements of market liberalism in its approach to economic, industrial and incomes policies, with the consequence that its labour market policy is less interventionist.

The “Danish Model”

A unique interaction of cultural, political and social influences is responsible for shaping the “Danish Model”²⁹, which represents an integral part “of a broader welfare state oriented, institutionalised political system” (Due et al. 1994: 12). Particular cultural characteristics that are inherent in other Northern European countries, predispose Danish society in a manner that has enabled it to establish

in state relations. According to this view, the state has now assumed a disciplinarian role in coercing unemployed persons into accepting lower conditions of employment, that are determined by the market.

²⁸ Alsoe, Per 2000 pers. comm. June 21st.

²⁹ This term has been coined by Due et al (1999) in their analysis of the Danish industrial relations system.

and sustain a system of institutions and collective bargaining that is based on compromise between opposing interests in a competitive labour market. In their attempts to identify critical economic and political arrangements that have supported the continuation of this system, Due et al (1994: 13) name the predominance of small and medium sized firms, which facilitated the co-ordination of employer organisations intent on promoting consensus based bargaining. Secondly, a high level of autonomy characterises the relationship between the two major bargaining parties. Since the tradition is that consensus on the content of any new legislation must be reached between the two divergent parties before it is introduced in parliament, the balance of power is maintained between employers and trade unions and their joint power is significantly increased.

As it has been noted above, the Danish system of employment relations has changed comparatively little under pressure of increased flows of goods, capital and technology. A high degree of political consensus and the influence of strong socio-cultural values have been decisive factors in this process. External and internal demands have, nonetheless impacted on Denmark's economic and employment structure precipitating policy and institutional changes that have been observed in other industrialised economies. In the next section, policy shifts that have occurred in conjunction with the transformation of the international political economy will be examined.

Policy Responses to Contemporary Labour Market Problems

In the same way as other countries have adjusted all the major settings governing their economies, Danish authorities have also pursued more expedient means of improving the competitiveness of their economy and the functioning of the labour market. Significant changes affecting four major areas, including employment relations, vocational education and training, active and passive labour market policies and welfare reform will now be reviewed. While these initiatives are unique to this particular nation, the challenges to which they are a

response parallel those being addressed by other similar industrialised societies. The purpose of this discussion is to summarise the evolution that has occurred in Denmark's formal and informal labour market institutions.

Employment relations reform

Tri-partite and bi-partite agreements have continued to be the major vehicle used by Danish employers and trade unions in their attempts to improve international competitiveness and the nature and availability of employment. The process of enhancing competitiveness through combined measures to increase labour productivity through education, training and modernisation of work practices can be traced back to the works committees in the metal industry negotiated during the 1920s and essentially to the Cooperation Agreement of 1947. The latter agreement has since been renegotiated and extended several times (Knudsen 1995). Various articles in the Cooperation Agreement articulate strategies for protecting jobs, maintaining job security, improving job satisfaction and providing vocational training for displaced workers. While economic pressures experienced during recent decades have mediated the way these agreements have been applied, it is argued (Knudsen, Lind, and Sorensen 2000: 21) that the relationship between competitiveness, job security and employment, has become almost an "uncontested paradigm" since the mid 1980s.

A number of changes have been made to the collective bargaining process during periods of economic instability, particularly during the mid 1970s, when bi-partite and tri-partite negotiations, which resulted in full employment and an active labour market policy in the immediate post war period, were unable to resolve disputes between the DA and LO. Government intervention in three successive collective bargaining rounds, high unemployment and accelerating inflation led to wage restraint, which arguably (Knudsen, Lind, and Sorensen 2000: 4) represented a shift toward a neo-liberal economic paradigm. During the following decade, when the conservative-liberal

coalition was in government, it is argued (Lind 1998b: 1, 2) that its neo-liberal strategy exerted a dominant influence on major political parties, government advisers, policymakers and economists. One consequence arising from this situation was that economists and politicians promoted a liberal, monetarist regime, and the social partners jointly agreed in 1987 that continued wage moderation was necessary to guarantee employment.

During the economic volatility of the 1980s and 1990s, the wage bargaining process was decentralised leading to a more flexible system of negotiating individual wage structures, particularly in the public sector. This development corresponds with similar ones at the European level that were aimed at enhancing macroeconomic stability (The European Commission 2000e: 4). Whereas agreements are still generally negotiated at the national level, some matters are now bargained at the enterprise level. Issues relating to training, pensions and notification periods are negotiated centrally, while wage structures and standards regulating working time flexibility are bargained and implemented in workplace agreements (Lind 1998b: 8). The practice of enterprise level wage bargaining within centrally negotiated agreements has led to the introduction of the term “centralised decentralisation” (Due 1999: 4; Lind 1998b: 8). Integral to the process of increasing economic competitiveness, is the focus on improving the standard of education and continued vocational training, which is institutionalised through legislation, collective agreements and publicly funded programs.

Vocational education and training

State funded labour market education for employed and unemployed persons and an historically high investment in education and vocational training of young people, represent Denmark’s commitment to increasing and updating the skills of its workforce. Since the late 1980s, a nation wide strategy has promoted continued vocational training within an integrated policy perspective involving industrial, labour market, social, and education policy (Sorensen 1997: 5).

Sorensen (1997: 4) notes that a growing interest by private enterprise in human resource development has complemented this strategy. While some analysts (Knudsen, Lind, and Sorensen 2000: 32), argue it is the influence of trade unions rather than claims by employers that has increased the demand for training aimed at enhancing competitiveness, others (Hansen 1999: 11) suggest that there is a consensus among employer and trade unions concerning the necessity of a well-trained and well-qualified labour force.

Representatives of the social partners are integrally involved in the process of developing training initiatives that respond to changing industry needs. They participate as members of the National Council for Continued Training, which assists the Ministry of Labour in developing labour market policy. The strong “power sharing system” is considered (Ministry of Education 1998: 47) a major reason for the strength of the Danish vocational system, and secondly, it is understood (Olesen 1997: 2) to be largely responsible for the dynamic relationship that exists between government, trade unions and employers in determining new strategies. The historic basis of this relationship developed when a shortage of skilled labour towards the end of the nineteenth century led to government initiatives to expand vocational training opportunities. Since that time, changing skill needs have been addressed by special government initiatives³⁰ and by social partners in bi-annual collective agreements.

Since the 1991 round of bargaining, private sector employees are entitled to continuing vocational training and education leave while public sector agreements encourage cooperation committees in local institutions to assess training needs and develop systematic plans for reducing training gaps (Olesen 1997: 5, 7). Under collective agreements with the Federation of Danish Trade

³⁰ In 1960, the labour market training (AMU) system was established to upgrade the skills required by manual workers to adapt to more complex jobs. Continuing vocational training for skilled workers was introduced in 1965, and in 1986, it was made available for all occupational groups in the private sector. Public sector employees in similar occupations to those in the private sector were also covered by the 1986 initiative (Olesen 1997: 8).

Unions, approximately 50 per cent of employees covered are guaranteed one or two weeks paid educational leave to upgrade enterprise specific skills (Sorensen 1997: 7). In addition, legislation introduced in 1995 provides opportunities for workers to undertake continued vocational training. Under some sectoral agreements, employees can also undertake training that is not necessarily related to the enterprise if it corresponds with managements prerogative³¹ (Knudsen, Lind, and Sorensen 2000: 29).

Young people are provided with strong incentives to continue with their education and vocational training. Publicly funded compulsory education, labour market and training programs have a long tradition in Denmark, where the rate of investment in education per GDP is amongst the highest of all OECD countries (OECD 1999c: 5). See table 22. In accordance with legislation aimed at ensuring that 95 per cent of all young Danes are qualified to enter the workforce or undertake further studies (Hummeluhr 1997: 22) over 80 per cent of Danish youth have either received a recognised vocational qualification or are eligible to commence tertiary education (OECD 1999c: 8).

Education and vocational training programs aimed at developing a well-functioning labour market are complemented by Danish labour market policy, in order to achieve the twofold aim of reducing imbalances between labour supply and demand and combating long-term unemployment (Madsen 1999: 55). Shifts in policy design have resulted in the integration of these goals in the past decade,

³¹ A degree of reluctance by employers in encouraging educational leave has resulted in a number of studies investigating the reasons why leave is not taken and why committees responsible for planning educational leave have not been established. One such study (Sorensen 1997) based in the foodstuff, seeds and fertilizer sector, compares two different business strategies for managing human resources. In one case, management invested in a uniform technological system requiring few operational skills, while the alternative approach was to invest in upgrading the qualifications of operators through continued vocational training. A cost benefit analysis was the determining factor in the former instance, while in the latter case, the human resource development strategy was identified as one aspect of an integrated business strategy. While similar economic benefits might accrue in either example, it is possible that the latter would contribute to the overall effects on "mobility, employment, education and cultural modernisation" implied by contemporary Danish laws and agreements related to vocational training.

when reducing long-term unemployment has been prioritised as an important political objective. In the following sections, recent developments affecting the two policy arms that are closely associated with strategies aimed at improving the education and skill of the labour force, will be analysed. These areas include active and passive labour market policies and social assistance policies.

Table 22 Selected indicators of resources used by education, in Denmark and as a percentage of the OECD average, 1996

	DENMARK	OECD COUNTRY AVERAGE	DENMARK AS % OF OECD AVERAGE
As a per cent of GDP (1)			
Direct public expenditure (2) for educational institutions	6.5	4.9	133
Total educational expenditure plus public subsidies to households	8.5	5.9	144
Financial aid to students (3)	1.39	0.33	421
As a per cent of public expenditure on tertiary education:			
Direct expenditure on institutions	67	81	83
Scholarships and grants	28	13	215
Student loans	5	5	100
As a per cent of the employed population (1):			
Teachers	4.3	3.9	110
Teaching support staff	2.8	1.7	165
Ratio of students to teaching staff:			
Early childhood	13.1	17.6	74
Primary	11.2	18.3	61
Secondary	12.3	14.6	84
Tertiary	11.2	15.7	71

1. 1995

2. from public, private and international sources

3. Excluding aid not attributable to household payments to educational institutions for educational services

Sources: OECD (1997), *Education at a glance: OECD Indicators*, Paris and OECD (1998), *Education at a glance: OECD Indicators*, Paris, quoted in (OECD 1999c: 4).

Active and Passive Labour Market Policies

In conjunction with its comparatively high levels of investment in education, Denmark's expenditure on labour market policy is the highest in Europe (Madsen 1999: 55). Six per cent of GDP is dedicated to labour market programs, which include paid leave and job rotation schemes for employed and unemployed workers, activation programs for all unemployed persons and special assistance for unemployed youth. As in the formulation of social and economic policy in general, the social partners are closely involved in determining and implementing labour market policies. Studies on the outcomes of the job rotation scheme (Hansen 1999), note that its effectiveness depends on co-operation between employers, trade unions and worker's representatives, employees, labour market authorities and educational institutions. This scheme, which is supported by legislation, is developed in agreements between social partners, and implemented in conjunction with education committees established in enterprises where it is in operation³².

While a large percentage of expenditure on labour market programs is dedicated to passive programs, the activation of unemployed persons has been emphasised in reforms introduced under the *Labour Market Reform Act* of 1994³³. This concerns people who are entitled to unemployment benefits. Further reforms, included in the *Social Assistance Act* of 1997, require all unemployed persons not entitled to unemployment benefits to accept an

³² By way of example, Hansen (1999) describes the job switching process in a factory with 120 low-skilled workers. In groups of 12, they are invited to take a month's leave to participate in a relevant course. Twelve unemployed persons who have undertaken a two-month vocational program to qualify them for the vacant positions fill their positions. No expenses are incurred by the employer, but employees' wages fall to the level of unemployment benefits for the month they are in training. Workers interviewed during the course of this empirical research, indicated that a reduction in wages was a disincentive to participating in a paid leave scheme for educational purposes.

³³ Abrahamson (2000: 3) suggests that the new legislation changed the emphasis in labour market policy from "passive support to active integration". He notes parallel shifts in policies in other Scandinavian countries. While Denmark introduced the job guarantee for long-term unemployed people in 1979, Sweden introduced active labour market policies in the 1960s and Norway has implemented the "work approach". In Finland, initiatives have been implemented to re-integrate marginalised persons into the labour market and broader society.

activation placement in employment or training, in order to remain eligible for welfare or social security benefits. These changes are very significant in an historic context, since the “passive” period, during which persons may receive unemployment benefits or social security without being activated, has gradually been reduced from an indefinite time, to four years in 1994 and one year since 1999³⁴. These measures aimed at reducing persistently high levels of unemployment were accompanied by pressure from the employer’s national confederation, DA, which had arguably (Lind and Moller 1995: 99) pursued tighter eligibility criteria and increased responsibilities for job seekers from 1978 onwards. Despite additional pressure to reduce the level of unemployment insurance, which is comparatively high by OECD standards, it remains unchanged at 90 per cent of the unemployed person’s previous twelve-week’s salary, but not exceeding a maximum amount to DKK 2,850 per week (Danish Ministry of Labour 2000a). One significant change is that the eligibility for unemployment compensation ceases after the three-year activation period, when unemployed persons are entitled to receive means tested social security.

A range of strategies aimed at reducing youth unemployment include on-the-job training for unskilled, unemployed youth and programs designed to encourage participation in voluntary work, relief work or special education programs. The “youth package” introduced in 1996 in accordance with the European Employment Strategy, provides additional incentives for unemployed persons under 25, who are now obligated to accept a position in a training, education or job creation program after 6 months unemployment (OECD 2000d: 115). Individual guidance is provided by municipal authorities, which assist unemployed youth find suitable educational or training programs. Personal counselling is also widely available in the education system, where

³⁴ These changes are in accordance with the first two recommendations of the European Union Employment Guidelines (Madsen 2000: 4).

students are supported in their choices of vocational and educational pathways³⁵.

A number of innovative paid leave schemes aimed at encouraging employed and unemployed workers to take educational, sabbatical or child minding leave of twelve months maximum duration were introduced in the 1994 *Labour Market Reform Act*³⁶. Under each of these schemes, workers receive either education benefits equivalent to full unemployment benefits, or a child care allowance equivalent to 60 per cent of unemployment benefits (Abrahamson 2000: 6). There are conflicting views regarding the long-term social and economic costs of paid leave schemes, but according to some analysts (Madsen 1999: 61) they effectively reduce unemployment. Benefits and risks of paid leave schemes are identified in table 23.

³⁵ Vocational guidance and tests for apprentices were introduced by the Ministry of Labour in 1917 and in the late 1960s, vocational guidance was provided in vocational training courses, higher education institutions and adult education at upper-secondary level. In 1953, vocational guidance was introduced in the primary, lower and upper secondary levels of compulsory education. Today thousands of counsellors are working for the state and municipality Ministry of Education, state Ministry of Labour and trade unions providing vocational guidance to students and unemployed youth (Maaloe and Haandvaerkerhojskolen 1994: 10).

³⁶ Under the educational leave scheme, workers aged 25 and older may participate in an educational program for one week to 12 months; the child care leave scheme enables parents of children eight years and younger leave of between 13 weeks and one year to care for their children. Leave for sabbatical purposes was revoked in March 1999 (Madsen 2000: 11). The job rotation scheme (also known as job-switching) operates in conjunction with the leave schemes in providing opportunities for other employees to upgrade their skills and for unemployed persons to enhance their future employment prospects by gaining short-term work experience (Danish Ministry of Labour 1996: 13; Madsen 1999: 60, 66).

Table 23 Macro level benefit and risks of Danish paid leave schemes

	BENEFITS	COSTS AND RISKS
Macro-economy short term	Lower unemployment (C/E/S)	Lower production due to lower employment and/or lower productivity of substitutes (C/E/S)
	Public savings on child care expenditures (C) and unemployment benefits (C/E/S)	Increased public expenditures for paid leave compensation (C/E/S)
Long term	Increased qualifications of labour force (E)	Bottle-necks and wage pressure (C/E/S)
Social and political level	Increased educational, social and cultural mobility (E/S)	Unequal opportunities of women (C)
	Strengthening of family ties (C)	Unequal opportunities of women (C)

Notes: E: Educational leave; S: Sabbatical leave, C: Child-minding leave
 Source: (Madsen 1999: 72)

Evaluation of the effectiveness of labour market reform during the past decade notes (Jorgensen 2000) that individually tailored activation measures have been successful in providing education and employment opportunities to jobless persons. The timing of active measures is critical in enhancing employment or training opportunities³⁷ according to other analysis (Danish Ministry of Labour 2000b; Madsen 2000: 4). Some of the added strengths that have been identified include the participation of relevant industry, training and public employment agencies at a regional and local level, and the involvement of social partners in policy formulation and implementation. While these reforms mark a significant shift towards active labour market measures that have transpired in other nations facing similar external and internal pressures to resolve labour market imbalances, they have occurred within the broad social democratic tradition, which holds that the main source of income for jobless

³⁷ Evaluation by the Danish Ministry of Labour (2000b) observed a “motivation” effect in association with entry into the activation period. Accordingly, it is argued that by initiating employment enhancement programs earlier in the unemployment cycle, the possibilities of long-term unemployed persons gaining employment, and young people finding employment or training opportunities before they enter the activation period is improved. Madsen (2000: 4) notes that reducing the period of passive benefits may improve the possibility of employment since less general and job-specific skills are lost the shorter the period of inactivity, while early activation risks “deadweight” losses by offering employment to persons capable of succeeding through their own job search efforts.

people is the welfare state. They have been accompanied by a range of innovative schemes to simultaneously increase training and employment opportunities, that are made possible by state financed income supplements. While it has been observed (Abrahamson 2000: 2), that these reforms represent a shift towards a pro-active rather than passive response to unemployment, with an increased emphasis on services, rather than on transfers and services, a recent OECD (2000a: 14) analysis recommends further reforms. This report recommends the tightening of eligibility criteria and the reduction of benefits in order to improve the efficiency of the social security system.

Reform of the social security system

The Danish system of social security is frequently described (Hoffmann and Ulrich 2000: 12; Pedersen, Pedersen, and Smith 1995: 19) as “generous” because unemployment insurance, social welfare and social pensions are higher than in most other OECD countries. Danish self-employed workers are entitled to unemployment insurance and all retired members of society are eligible to receive a basic pension, financed by taxes and supplemented by an employer-funded pension scheme (Hoffmann and Ulrich 2000: 13).

The main reform to the Danish welfare system has occurred in conjunction with labour market programs aimed at addressing unemployment, as described in the previous section. Despite the comparatively high levels of direct and indirect taxation³⁸, (see table 24) and the concerns associated with the disincentive effects arising from the structure of welfare payments and effective marginal taxation rates, the social security system has retained its fundamental components throughout the economic instability of recent decades. Strategies to address the high levels of unemployment that have prevailed throughout this period have reflected the goals of a pro-active welfare state, which continues to maintain a significant responsibility for financing unemployment insurance.

³⁸ Indirect taxes are financed by a Value Added Tax of 25 per cent, which is the highest of all OECD countries.

Employers' contribution to social security is very low, constituting 10 per cent of labour costs, which is the lowest rate in the European Union (Hoffmann and Ulrich 2000: 12).

Table 24 Public expenditures and public incomes as a percentage of GDP in selected European countries and the United States

	DENMARK	NORWAY	SWEDEN	ITALY	GERMANY	U.S.
Public expenditures:	58.1%	54.8%	61.3%	51.6%	44.9%	36.3%
Public consumption	25.2	21.0	27.1	17.3	20.2	17.9
Public income transfers	18.5	19.5	20.8	18.7	16.1	10.8
Other public expenditures	14.4	14.3	13.4	15.6	8.6	7.6
Financed by public incomes:	56.6%	57.1%	65.2%	42.0%	43.0%	33.2%
Indirect taxes	17.6	16.8	17.7	10.6	12.6	8.1
Direct taxes	29.0	17.9	23.6	14.5	11.3	13.7
Social security contributions	1.5	12.1	14.8	12.9	15.9	7.6
Other public incomes	8.5	10.3	9.1	4.0	3.2	3.8

Source: (Pedersen, Pedersen, and Smith 1995: 22)

The consensual approach to addressing economic, social and political issues inherent in the Danish model is based on a unique cultural heritage and a socio-political tradition without which such policy approaches would not be feasible. This method, reflected in bi-partite and tri-partite negotiations between the social partners, which focus on improving competitiveness, the availability of employment and the skill needs of the contemporary labour force, incorporates broader re-distributive policy concerns. The viability of social regulation in enhancing competitiveness has been strongly endorsed by Danish representatives at the European level. Like delegates from other countries, the Danes have been dissatisfied that many social and labour issues are determined at the European Union level by a majority voting process (McDaid 1995: 239). Denmark, in particular has upheld the view that labour market regulations in the EU should be resolved through social dialogue and consensus, and has given strong support to the agreement on Social Protocol, annexed to the Maastricht Treaty (McDaid 1995: 247). These and other issues arising from the membership requirements of the EU are discussed herewith.

Implications of Participation in the European Union

As a founding member of the Organisation for European Economic Cooperation, Denmark has a long history of involvement in regional initiatives. This participation intensified when Denmark joined the European Union in 1973. In supporting the *Social Policy Agenda* promoted at the European level, social dialogue has been endorsed in all aspects of industrial relations “to promote competitiveness and solidarity and the balance between flexibility and security” (The European Commission 2000a: 23). Similarly, in the 1997 Green Paper on *Partnership for a new Organisation of Work*, collaboration between social partners is promoted through debate on new forms of organisation at the workplace, “based on high skill, high trust and high quality” (The European Commission 1997b: 1). Noting the success of Scandinavian countries in terms of improving not only business performance but also job protection and job quality through restructuring their industrial relations systems and patterns of work organisation, this paper suggests that it is possible to achieve a balance between flexibility and security (The European Commission 1997b: 7, 8). In doing so, it is argued (Larsson 1999: 2) that a great deal is demanded of governments and social partners in developing and maintaining partnerships based on co-operation, commitment, confidence and positive, strategic dialogue. While trade unions have supported this process by promoting flexibility in work organisation and working time, vocational training and a more flexible wage structure, they have refused to accept full-scale neo-liberal economic strategies adopted in other OECD countries, including the United States, Britain and New Zealand.

Another strategy that has been strongly supported within the European Union for its effectiveness in involving social partners and members of the workforce in the process of adapting to new patterns of work organization, is enterprise based works councils. Also known as co-operation committees, works councils, which were established in the 1947 agreement, provide a mechanism, for employers to share relevant market information (Sommer,

Andersen, and Olesen 1996: 136). They also enable worker representatives to assume an active role in addressing issues arising from technological change, training needs and wage structures that generate increased productivity (Sommer, Andersen, and Olesen 1996: 137). According to Larsson (1999: 1), works councils have contributed to increases in Europe's productive capacity, by improving the performance of firms and the skills levels in their workforce. >

A certain degree of ambivalence exists in the relationship between the Danish polity and the supranational influence of the European Union. While there are numerous instances, which indicate Denmark's collaboration with regional objectives, there is a good deal of opposition from other quarters. Some examples of the former include the application of the principles embedded in the four pillars of the European Employment Strategy, the introduction of social chapters in the 1999 collective agreements and the reform of the tax and benefit system. There has however, been opposition from Danish employer organisations as well as trade unions, who fear that EU based legislation will undermine the rather voluntarist Danish model. While some representatives of labour fear that closer political and economic integration in the European Union and a possible homogenisation of policies across Member States will put downward pressure on established practices³⁹, Danish labour analysts argue that the advantages from EU directives outweigh the risks⁴⁰. Government representatives support financial integration on the basis that it offers the best possibilities of developing high levels of employment (Ministry of Labour/Ministry of Economic Affairs 2000: 2), however the citizens of Denmark appear less enthusiastic at this stage, by voting against the proposal to join the European Monetary Union (EMU) in the September 2000 referendum.

This section has illustrated the interplay of competing interests that is occurring because of efforts at the national and regional level to pursue

³⁹ Petersen, Birgit 2000 pers. comm., June 21st.

⁴⁰ Knudsen, Herman <hk@i4.auc.dk> e-mail message to Jennifer Lauritsen, January 28th 2002.

collective goals. While numerous examples are available of the implementation of EU recommendations in Denmark, and the positive outcomes from this process, a significant degree of resistance to the homogenisation of labour, economic or social policy is also evident. This tension between regional objectives and national practices illustrates one aspect of the challenges facing individual nation states, which simultaneously pursue the advantages of political and economic collaboration while protecting their national sovereignty. In the final part of this chapter, the focus will be narrowed to undertake a close examination of the strategies adopted by government, employer and labour organisations in their attempt to resolve the issues arising from changing patterns of employment, investment and production and the use of new technology in one specific industry.

The Danish Tourism and Hospitality Industry

Significant trends impacting on the tourism and hospitality industry, which parallel contemporary global developments, include the revenue effect of shifts in demand and increased competition from multi-national enterprises. The Danish tourism industry has a relatively high export rate of almost 70 percent, of which a large percentage is generated by visitors from the other Nordic countries and Germany. Between 1995 and 1999, visitors from Norway and Sweden have increased, while the decline in tourists from Germany and the Netherlands of 18.6 and 17.4 per cent respectively (The Danish Tourism Development Centre 2000: 9) has raised concerns amongst industry representatives⁴¹. Balance of payment figures indicate that Danish citizens spend considerably more in other countries than foreign tourists spend in Denmark. See table 25. Competition from international hotel-chains, which are gaining an increasing market share, particularly in Copenhagen since the opening of the bridge to Sweden, are creating more competition for local family owned enterprises. Furthermore, these large establishments, which provide their own

⁴¹ Friis Jensen, Jens, 2000 pers. comm., June 13th.

training as an alternative to technical schools, are also attracting qualified staff from other hotels.

Table 25 Balance of payments – tourist expenditure, Denmark

	1997	1998	1999
Receipts	21.023	21.504	25.880
Expenditure	27.783	29.832	35.544
Net receipts	-6.760	-8.328	-9.664

Source: (The Danish Tourism Development Centre 2000: 6).

As an important source of revenue, the tourism sector has fostered local, regional and national tourism, in order to ensure that enterprises are successful, and that their profits are re-invested to enhance employment growth⁴². In 1998, the tourism sector generated a turnover in excess of DKK 43 billion, an approximate increase of 3 per cent on 1996 figures. Since value added expenditure increased by 5.1 per cent more than gross expenditure, and employment fell by 0.4 per cent between 1996 and 1998, macroeconomic data indicates that production in the industry increased in efficiency during the same period (The Danish Tourism Development Centre 2000: 2). The high value-added rates generated by the tourism industry are attributed (The Danish Tourism Development Centre 2000: 3) to the structure of the industry, specifically its high level of labour intensity. Despite the labour intensive nature of employment in this industry, it is evident in an examination of strategies adopted by government and regional authorities that they are pursuing similar priorities as those identified in the previous section. At the national, regional and enterprise level, the collaboration of social partners in improving competitiveness and the availability and nature of employment has been established as a prominent objective.

⁴² Kvistgaard, Peter, 2000 pers. comm., June 20th.

A Collaborative Approach to Labour Issues in the Tourism and Hospitality Industry

As discussed earlier in this chapter, tri-partite negotiations between social partners are the cornerstone on which employment is regulated and workplace conditions are negotiated. Similarly, national, regional and local authorities, constituted by representatives of the various stakeholders, address broader issues affecting individual industries, in this case the tourism industry. The tourism sector has been organised at the regional level since 1986, when eight tourism development agencies were established to develop the economic and employment potential of this industry. The Ministry of Commerce is responsible for tourism development and formulates government policy in co-operation with the Tourism Board. National priorities have been established in conjunction with the principles of sustainable development, promoted under agenda 21 of the Vienna Convention⁴³. Some of the practices arising from these objectives are discussed here, with reference to the responsibilities of the relevant authorities.

A high quality, sustainable product

In its attempt to develop and maintain excellence and sustainability in the delivery of services in the tourism industry, the Danish Government acknowledges that tourists who are expending considerable amounts to visit Denmark, demand high standards⁴⁴. In addition, the country will become a more attractive tourist destination because it guarantees high value added performance, environmental excellence and personal safety standards that enable

⁴³ Developed in November 1996, by eco-counsellors, labour and union representatives and professionals in Continued Education, the Vienna Convention enunciated five articles of sustainability. They promote indicators of sustainability which encompass ecological and social dimensions; financial support by national governments for initiatives that comply with these articles; the strengthening of social groups which support the goals of Agenda 21; social peace as an ethical and an economic value; and a change of values based on the concept that "sustainability can flourish" (Ecotourist 2001).

⁴⁴ Nexelmann, Eric, 2000 pers. comm., June 21st.

tourists to “walk the streets at night”⁴⁵. In this context, debates have arisen concerning human resource strategies that are based on either an “empowerment” or a “de-skilling” use of labour, or as a recent report (The Danish Tourism Development Centre 2000: 20) terms the “high touch” or the “high-tech” solution. This report (The Danish Tourism Development Centre 2000: 17) recommends human resource management that combines efficient business strategies and the use of relevant technology with the employment of qualified staff to deliver high quality service.

According to tourism specialists, the high-tech approach of automating jobs has a strong, economic appeal due to the high labour costs in Denmark, but the image of a “clever country, with clever people, high standards and values” doesn’t fit with a low-skilled, automated tourism product⁴⁶. This viewpoint reflects the current perspective concerning the development of the Danish tourism industry, as one that demands high standards of customer service and sustainability. Tourism developments are evaluated according to these goals. For instance, companies are required to document their employment practices, indicating their compliance with the principles of sustainable development. Client and worker health and safety is prioritised.

Occupational health and safety

In the area of occupational health and safety, management and trade unions in co-operation with government enterprises, occupational-medicine clinics, local and county authorities and technological information centres, develop pertinent campaigns. Educational and other relevant activities designed to improve occupational health and safety are organised at the regional and local level (Directorate of the Danish Working Environment 1996: 38). Under the Danish Government’s *Clean Working Environment 2005* project, approved by the Danish Working Environment Council in September 1995, the food, beverages

⁴⁵ Jensen, Aage, 2000 pers. comm., June 15th.

and tobacco industry has been targeted for special attention. Broad public debate, initiated by the Danish Minister of Labour, formed the basis of a ten-year action plan drawn up in cooperation with social partners. While Denmark has a high level of health and safety at work, by international standards, continued efforts to minimise industrial accidents and occupational diseases have resulted in an integrated plan,

for strengthening occupational health and safety work in Denmark with a view to achieving the general vision of safe, healthy and inspiring workplaces, to the benefit of the employees and the competitiveness of the enterprises (Directorate of the Danish Working Environment 1996: 3).

Under this plan, physical and psychological risk factors associated with employment in the food, beverages and tobacco industry have been addressed. Other initiatives directed at the improvement of occupational health and safety standards include raising the age limit at which children may participate in light industrial activity, from 10 to 13 years. While the number of serious injuries reported amongst 10-17-year olds in a range of industries, including the hotel and restaurant sector prompted this decision, it was introduced as the result of an EU directive and with strong opposition from the right-wing parties. Special information campaigns, targeting 15-18 year olds in “spare-time work”⁴⁷ have been implemented by a number of county councils, with the aim of reducing the number of workplace accidents and injuries amongst this age group. Improving the conditions of employees in this industry is imperative in order to address the high rates of turnover, which characterise the tourism and hospitality sector.

⁴⁶ Friis Jensen, Jens 2000 pers. comm., June 13th.

⁴⁷ The term spare-time work is used to describe work done generally by young students in afternoons, weekends or holidays.

Retention of employees

Danish tourism development authorities are attempting to address one of the major challenges confronting the tourism and hospitality industry, viz. attracting staff, developing the existing workforce and retaining qualified employees⁴⁸. The age profile is closely associated with the high levels of turnover and the subsequent difficulties of retaining young workers who have gained training and experience in the industry, since many are attracted by better working conditions, wages and career options in other industries (The Danish Tourism Development Centre 2000: 17).

Table 26 Age and gender characteristics of Danish hotel and restaurant employees

	<20 YEARS %	20-29 YEARS %	OTHER %	AVERAGE AGE	FEMALE 1990 %	FEMALE 1994 %
Accommodation	25	36	39	30.2	62	60
Restaurants	31	40	29	27.1	64	61

Source: (The Danish Tourism Development Centre 2000: 11)

By comparison with strategies adopted by United States employers to address the retention problems, in Denmark a collective rather than an individualised response is noted⁴⁹. In one example, sixteen employers are contributing to the establishment of a new conference centre, as a combined project that is expected to lead to initiatives in the field of training. This initiative, which has been developed to improve the skill profile and retention rates of employees, was established largely with European Union funds in the fishing town of Skagen⁵⁰. This small seaside resort, which has the highest share of the tourist market outside Copenhagen, attracts 20 per cent of all

⁴⁸ These sentiments were articulated by a number of persons interviewed, including Friis Jensen, Jens 2000 (pers. comm., June 13th) and Jensen, Aage 2000 (pers. comm., June 15th). It parallels concerns expressed by experts in the United States hotel and restaurant industry, particularly in relation to retaining experienced staff at the management level (Self, John 2000, pers. comm., July 13th).

⁴⁹ See Chapter 4 page 124, for a discussion of strategies adopted by United States employers to motivate and retain upper-level employees.

⁵⁰ Bjerring, Bodil, 2000 pers. comm., June 20th.

international tourists to Denmark. While much of the hotel and restaurant employment in Skagen is short-term, and seasonal workers do not have financial compensation, they are often guaranteed employment in the same enterprise and occupation from year to year⁵¹. In this instance, reference can be made to the bilateral system of income support and occupational training established in the region of Veneto, Italy primarily to assist seasonal workers in this industry⁵². While there is no direct parallel of this initiative in Denmark, a well integrated system of vocational training and specific education in the tourism and hospitality sectors is established at the technical, general or commercial secondary schools. At the higher education level, bachelor and masters degree students can choose a short-term specialisation option in tourism education.

Structured training in tourism and hospitality occupations

By international comparisons, vocational training in this industry is highly organised in Denmark and other Nordic countries, as illustrated in table 27. The structured provision of training programs for youth and adults began in the early 1980s, when social partners identified the lack of training as a major problem amongst unskilled and semi-skilled workers in hotels and restaurants⁵³. As a result, vocational training was introduced at the secondary and tertiary level. It is now argued (The Danish Tourism Development Centre 2000: 12) that hotel and restaurant workers have relatively more training than workers do in other occupations in the tourism sector and, secondly there is more emphasis on expertise and professional service in the sector⁵⁴. For instance, in some occupations, including cooks, ninety nine per cent have undergone training, and

⁵¹ Initiatives currently being investigated by the Danish Ministry of Labour and local labour offices, working with the social partners to increase the employment security for seasonal workers, propose guaranteeing employment for 60 per cent of the year.

⁵² See Chapter 6 page 228, for details of the Bilateral Agency for Tourism in Venice.

⁵³ Nexelmann, Eric 2000 pers. comm., June 21st.

⁵⁴ Pedersen, Merete 2000, pers. comm., June 21st.

since these positions are considered well paid and “dynamic”, they have become very popular with young people⁵⁵.

Table 27 Structure of education, indicating length of training in Nordic countries

	DENMARK	NORWAY	SWEDEN	FINLAND (1)	ICELAND
Cook	4 years	4 years	3 years	80/120 study wks	4 years
School component	50 weeks	2 years	3 years		1 year
Sandwich maker	3 years 1 month		3 years		1 year
School component	45 weeks		3 years		
Waiter	3 years 4 months	4 years	3 years		3 year
School component	40 weeks	2 years	3 years		1 year
Receptionist	3 years 2 months	4 years	3 years	120 study weeks	
School component	50 weeks	2 years	3 years		
Cafeteria and canteen assistant	2 years 9 months			80 study weeks	
School component	40 weeks				
Hotel and leisure assistant	2 years 6 months				
School component	40 weeks				
Hotel/restaurant middle management				120 study weeks	
School component				100 study weeks	
Tourism			3 years		
School component			3 years		
Hotel					4 years
School component					4 years

(1) to be completed as basic education.

Source: (Nordic union for hotel cafe and restaurant workers 1998)

⁵⁵ Lonstrup, Nils, 2000 pers. comm., in June 9th.

Strategies of the Restaurations-Branchens Forbund (RBF)

In accordance with international trends, trade union density has been declining in this industry as in the service sector and in the public sector generally⁵⁶. As an industry renowned for low union density, the hotel and restaurant sector currently registers approximately 40 – 50 per cent membership, compared with 80 per cent on a nation wide basis⁵⁷. 3,000 of the 13,000 hotel and restaurant enterprises in Denmark have a collective agreement with the RBF⁵⁸, which continues to apply innovative recruitment strategies to the growing hotel and restaurant sector. See table 28. While these membership figures are low by Danish standards, they are amongst the highest in the industrialised world, for this industry.

In an attempt to improve training in other parts of the tourism sector and retain experienced labour, a new system of providing lifelong learning and formal education for older persons with work experience is currently being investigated. In conjunction with local initiatives, vocational training activities have also been co-ordinated by the Nordic Union for hotel, cafe and restaurant workers since 1990, in response to the interest of members in exploring employment opportunities in other Nordic countries. Within the European Union, strategies to develop skills and qualifications of workers, to enhance the quality of work undertaken and to enhance industrial democracy by involving workers in participative decision-making, have been promoted in the “developing work” strategy⁵⁹ (LO 1991). In association with the trade union

⁵⁶ By international standards, trade union membership has remained high in Denmark. Currently, union membership is the third highest amongst other OECD countries, with similar levels of unionisation amongst female and male workers, and in blue and white-collar industries (ILO 1998b).

⁵⁷ Novak, Kenneth, 2000 pers. comm., June 15th.

⁵⁸ Moos, Bent, 2000 pers. comm., June 16th.

⁵⁹ EU policy-makers have been inspired by the “developing work” concept, which was introduced by the Swedish Metal Workers Federation in the 1980s and adopted by the Danish LO in the early 1990s. It aims to make more qualified, broad and interesting jobs and to delegate more responsibility to individual employees or teams.

movement generally, the union responsible for organising workers in this industry, Restaurations-Branchens Forbund has been pro-active in promoting the aims of this strategy, i.e. reducing employment insecurity by replacing numerical flexibility with functional flexibility. It is one of a number of initiatives pursued in its attempts to respond to the employment concerns of its members.

Table 28 Employment growth in hotels and restaurants, Denmark

	1993	1995	1997	% GROWTH 1993-1997
Hotels	11,429	11,234	11,411	0.2
Other accommodation	2,660	2,679	2,825	6.2
Restaurants	29,187	31,159	31,967	9.5

Source: (The Danish Tourism Development Centre 2000: 10)

Recruitment and membership strategies

Faced with the difficulties involved in organising workers in an industry that is characterised by high turnover rates, part-time and seasonal employment and a young transitional labour force, the RBF has introduced a number of new recruitment strategies. They include workplace visits, special seminars⁶⁰, education courses for members and delegates and an Internet home page. Success in opposing certain employment practices has attracted new members. One such practice, used by McDonalds and an international restaurant chain of ringing individual workers directly for “short-term” employment, instead of using the unemployment insurance fund has now been replaced by an agreement with the RBF which involves a 4-week work-plan, including days off⁶¹.

⁶⁰ Concern about the lack of young workers joining unions, prompted the RBF to organise a two-day seminar for non-unionised workers in MacDonaldis in Copenhagen. Each enterprise was asked to send one young employee to participate with representatives from the union, the employers association and the franchise to hear young workers’ views on the role of unions.

⁶¹ According to Kenneth Novak, Chairperson of the RBF Waiters Group, a long fight with McDonalds, led them to the understanding that the practice in Denmark means that “its necessary for business to have an agreement” (2000 pers. comm., June 15th).

Certain institutional factors support the high membership potential of Danish unions. According to some authors, (Due 1999: 11; Madsen 1999: 25) the role of unions in the unemployment security system and in handling labour disputes is an important influence in maintaining high levels of union participation. In interviews with workers in the industry, it was noted that union membership enhances employment conditions established under the terms of a local agreement. For example, paid vacation and sick leave is extended under some agreements. Annual wages in a certain occupation may increase to DKK 25,000 a month instead of the minimum rate established nationally, of DKK 16,000 a month⁶². In addition, unionised workers are in a relatively strong bargaining position when they succeed in negotiating favourable wages and conditions. They can capitalise on their experience to seek higher wages and regular hours in any new position they might pursue⁶³. Because of the benefits that accrue to members, there is a tendency for nonunionised workers to be co-opted by union members employed in the same unionised enterprise (Lind 1998a: 253).

Since many restaurants do not have agreements with the RBF, it is the view of union officials that these restaurants, which employ students in the high season, are using "spare time" student labour to undermine the employment opportunities of other workers⁶⁴. The RBF argues that the current unemployment rate of hotel and restaurant workers could be reduced from 8.9 per cent to closer to the national average of 4 per cent if these practices were

⁶² Under the terms of a collective agreement, a cook may earn DKK 3,000/month above the national agreement, and DKK 4,000/month above cooks without an agreement, according to Per (2000 pers. comm., June 15th) who earns DKK 4,000/month more than his wife in the same occupation.

⁶³ Henry 2000 pers. comm., June 16th.

⁶⁴ Students with good language skills are satisfied with short-term employment and the supplementary income it provides. However, if the income earned in the "black economy" were declared their wages would be reduced. For this reason, it has been suggested (Moos, Bent, 2000 pers. comm., June 16th) that allowances of 2,000 DKK/month for students living at home and 3,500 DKK/month for those not living at home, should be increased as a disincentive for students to engage in the "black economy".

avoided. In 1993, it estimated that 3,500 – 5,000 extra jobs or 20 per cent more full-time jobs in hotels and restaurants would be generated if the current level of spare time employment were eliminated. At that time, when unemployment was high, the RBF suggested to the Ministry of Labour that unemployed persons, receiving unemployment benefits could be in jobs, if enterprises using “black labour” joined employer associations and entered into collective agreements with the union⁶⁵. Recent legislation, which increases the percentage of workers in a given enterprise that support a collective agreement from 40 to 50 per cent, has been opposed by the RBF. This opposition is on the basis that under the new legislation the number of enterprises with agreements will conceivably decrease at a time when increasing levels of flexibility intensify the need for collective agreements.

Flexible working arrangements

The RBF has limited support for increased flexibility in the hotel and restaurant sector because employers use it to limit working hours, which in turn reduces the employment security of workers. Despite this general opposition, it is acknowledged that some workers prefer part-time employment, for family or personal reasons. In other cases however, two or three part-time jobs are necessary to earn a liveable income⁶⁶. Collective agreements negotiated by the RBF on behalf of workers in the hotel and restaurant industry address issues associated with part-time employment, including hours of work and annual leave. Part-time workers are now entitled to six weeks holidays, paid at the rate of their part-time salary. A recent innovation that assists employees in their pursuit of full-time employment and employers needs for functional flexibility is the practice of incorporating two occupations into one position. This “cross-occupational” practice broadens the skill base of individual workers and provides variety for employees seeking full-time employment, who might

⁶⁵ Jensen, Aage, 2000 pers. comm., June 15th.

⁶⁶ Novak, Kenneth, 2000 pers. comm., June 15th.

otherwise have their hours of work reduced in slow periods. Hotel maids, who may double as receptionists or providers of room service, have applauded this opportunity for multi-skilling⁶⁷.

The trend towards increased flexibility corresponds with recommendations in the European Employment Strategy, which support the adaptability and competitiveness of business by increasing organisational flexibility. Since the 2000 collective agreements, half of the existing 18 per cent of covered employees who previously had no access to part-time employment are now eligible to engage in part-time employment. See table 29. State subsidies amounting to DKK 237 million, have been provided to assist at least 50 per cent of all enterprises to make their organisations more flexible by the year 2002 (Ministry of Labour/Ministry of Economic Affairs 2000: 17). Since non-standard employment, is expected (Ministry of Labour/Ministry of Economic Affairs 2000: 18) to increase in accordance with the above initiatives, amplifying concerns already expressed by the RBF, the Government is initiating some research into the implications of different types of employment contracts.

Table 29 Access to part-time employment for employees covered under DA/LO collective agreements

	PRE-CA 2000 SHARE OF EMPLOYEES	POST-CA2000 SHARE OF EMPLOYEES
Free access	43%	51%
Only access for newly employed persons	39%	39%
No access	18%	10%

Note: Based on collective agreements for approximately 90% of the DA/LO field
Under the group "No access" there may be a possibility of part-time employment for certain types of enterprises

Source: The Danish Employers' Confederation, quoted in (Ministry of Labour/Ministry of Economic Affairs 2000: 45).

The principle of social dialogue that underpins the methods used to determine policy and institutional regulation of labour and other social issues is identifiable in this discussion on industrial and employment developments in the tourism and hospitality industry. Government, employer and union co-operation

⁶⁷ Petersen, Birgit 2000 pers. comm., June 21st.

is evident in sponsoring the economic and employment opportunities within the industry and in addressing contemporary issues identified by local, regional and multi-lateral authorities. One of the implications of a collectivist approach to the regulation of labour issues is the tendency of Danish authorities to evaluate the social responsibility of management, a practice that is quite uncommon in many other industrialised countries. Trade unions have responded to the employment issues associated with the seasonal nature of the industry, the frequency of non-standard employment arrangements and the large percentage of small, medium sized and micro companies primarily by negotiating national and enterprise agreements that guarantee improved wages and employment conditions. They have co-operated with employer and employee demands for increased functional flexibility and introduced innovative practices that enhance the skill and occupational opportunities of employees.

In this discussion, a degree of coherence is evident in strategies adopted by the various stakeholders in their attempts to make adjustments at the national, regional, local, industry and workplace level. These strategies are consistent with priorities established, for instance by national tourism authorities to ensure that management practices comply with their social responsibilities. The priorities themselves reflect objectives that are deeply embedded in the socio-political culture, so that despite recent ideological shifts and institutional reform, they are a contemporary expression of the social democratic principles on which Danish industrial relations processes are founded. Consequently, they parallel practices in other countries with a similar tradition, but contrast markedly with the neo-liberal practices pursued in nations like the United States.

Conclusion

Widespread interest has been aroused by Denmark's remarkable achievements during the past decade in reducing unemployment and maintaining high employment rates. Measuring labour market success in terms of low unemployment, fiscal consolidation, low inflation, low interest rates, and

improved equity and efficiency balance, a recent analysis (Auer 2000) suggests that Denmark has achieved an increase in the employment intensity of economic growth that is equivalent to the United States. The factors explaining these accomplishments are identified (Auer 2000) as the macroeconomic environment, macroeconomic policies which have been effectively combined with labour market policies and a willingness for social partners to participate in social dialogue to address contemporary economic and employment problems.

In this chapter, the features of the institutional structure in which recent policy developments are shaped have been examined with the intention of identifying the most significant influences on recent changes. It has been noted throughout this analysis that social democratic principles continue to have a profound impact on policy and institutional reform, notwithstanding the fact that different ideological perspectives are evident in the recommendations from multi-lateral and regional organisations during the past three decades. The impact of the prevailing international influence of neo-liberalism is apparent in terms of a tendency towards deregulation of markets, privatisation of public utilities and decentralisation of wage bargaining. The transformation of the welfare state from an interventionist model established on Keynesian macroeconomic management to one that reflects liberal market principles has also been linked (Knudsen, Lind, and Sorensen 2000: 4) with global economic pressures.

Many of the fundamental elements of the industrial relations that remain in place are responsible for the employment changes adopted in the tourism and hospitality industry. In this industry, renowned internationally for high levels of insecure employment and high rates of turnover, regulations have been introduced through the collective bargaining process to ensure that fluctuation in demand is met in a systematic way. This contrasts with many other OECD countries, where there is a complete absence of regulations governing the hours of work and number of part-time positions per enterprise. In the measures implemented by social partners to address concerns of labour and management

in this industry, a commitment to the objectives prioritised in the broad approach to labour issues is apparent. In particular, this includes a cohesive strategy for maintaining competitiveness, job security and employment and an emphasis on life-long learning that enhances occupational skill levels and service delivery. While this approach has certain parallels with the Italian case study, it is quite different from the singular emphasis on market resources distinguished in the United States model.

This thesis does not purport to evaluate the merits of either approach. Its aim is to illustrate that there are a myriad of ways in which individual nations are dealing with the issues that are of primary concern to national, regional and multi-lateral authorities in the current era of intensified exchange of goods and capital and the use of new technology. It has done so in this chapter, by examining the historical, institutional and ideological influences that have been responsible for the fact that Denmark has simultaneously maintained an adherence to social democratic re-distributive principles and achieved high rates of economic growth and employment that such policies are alleged to forestall.

Conclusion

Back to the Future

Introduction

A slowdown in global economic growth, understood in some quarters (Economist.com 2002) to be as severe as the one that ended the “golden age” of prosperity in the early 1970s, is expected to challenge the creative capacity of today’s policymakers in new ways. Reflecting on the preoccupation with counter-inflationary policies and their effects in the industrialised nations that adopted them during the 1970s and 1980s, the Economist (2002) forewarns of a return to a similar policy regime that coincided with decades of high and persistent unemployment. It is notable (The JIL Labor Flash 2001) that in Japan, the world’s second largest economy, which is now experiencing moderate, but extended deflation, after 50 years of sustainable growth, authorities are confronted with an unemployment rate of 5.4 per cent that was “unthinkable in the past”.

One observation at the conclusion of this thesis is that the global political economy is in a constant state of reorganisation. As a crucial component in the competitive productivity process of nations within the global economy, domestic labour markets are central to successful microeconomic adjustment. For this reason, they are unlikely to fade from their prominent position as reform

mechanisms. At a broader level, it is observed (Lind and Moller 1999b: 1) that in conjunction with the transition in the world economy

the restructuring of working life, unemployment and labour market marginalisation are among the most important social issues on the agenda in Western Europe.

By focusing on three modern industrialising societies this thesis has demonstrated one of its key arguments, i.e. that regardless of a number of common global developments, the labour markets of individual countries are affected in ways that reflect their individual histories, institutions and practices. Some of the broad labour market outcomes in each of the three countries studied illustrate this point in table 30. Despite a number of historical and regional influences shared by the two European states of Italy and Denmark, more similarities appear between Denmark and the United States in this macro-data. They are evident in the comparatively high rates of employment growth, high labour force participation rates and low levels of general unemployment and youth unemployment. Most interesting is the fact that these countries are at one end of the OECD spectrum in this regard, while Italy registers the lowest rates of labour force participation and almost the highest rates of unemployment among similar market economies. While these figures are striking in terms of very broad comparisons, they do not indicate the nature of employment that is being created, the diverse measures that have been initiated to generate these outcomes, nor the socio-economic consequences for workers.

Table 30 Summary of labour market trends in Denmark, Italy and the United States

COUNTRY	EMPLOYMENT RATE (1998)	FULL-TIME EQUIVALENT EMPLOYMENT RATE (1998)	EMPLOYMENT GROWTH (1994-1998)	UNEMPLOYMENT RATE (1998)	LONG-TERM UNEMPLOYMENT RATE (1998)	YOUTH UNEMPLOYMENT RATE (1998)
Denmark	79.2	69.9	1.8	5.4	26.9	7.1
Italy	51.8	50.2	-0.2	12.2	59.6	34.05
EU	61.0	55.0	n.a.	10.0	49.2	18.9
United States	75.9	n.a.	1.8	4.5	8.0	10.4

Sources: (Auer 2000: 88; OECD 2000g: 20, 21).

Since it was not feasible to examine each of these areas in any depth, the task of this thesis was to explore the reasons why individual nations are affected in such different ways by pressures that are widely asserted to produce a common globalising effect. In order to do this, three case studies were undertaken in chapters 4, 6 and 7 to examine recent shifts in all the relevant policy areas and to investigate employment changes in one particular industry. The hospitality industry was selected for this analysis because, as part of the broader tourism industry, it is one that is highly exposed to the effects of changes in the international political economy and it is also one in which international comparisons are at a premium¹. Cross national analysis of this industry is a particularly challenging task in investigative terms, since it is an industry that encompasses an extremely wide range of services and occupations and is highly susceptible to employment that is unregistered and unregulated. For this reason, the major focus of this study has been further narrowed to employment in the hotel and restaurant sector.

In light of the vagaries associated with employment in this sector, this thesis has benefited from qualitative research methods, which include numerous interviews with persons engaged as practitioners, policymakers, analysts, academics, employers or employees in the tourism, hotel and restaurant sector as detailed in chapters 4, 6 and 7. The capacity to draw from the personal expertise, insights and experience of such persons, as well as the opportunity to spend time in the actual cities at the centre of this study, has enriched the findings of this research immeasurably. By approaching the empirical research in this way, every attempt has been made to infuse the analysis of changes in selected policy areas with the insights of persons involved in implementing and adapting to these changes. At the heart of the methodology used for this thesis

¹ In a recent study on the main trends in the pattern of employment and labour relations in private sector services in eleven European labour markets (Dolvik 2001b), case studies focus mainly on the banking and retail sector. Somewhat less analysis is dedicated to industries including domestic or industrial cleaning, information technology, media and communications, transport and the tourism and hospitality industry.

is the process of examining contemporary developments in individual countries in the context of their specific histories. A review of the relevant literature on this subject in chapter 2 preceded this analysis. While this literature survey identified the broad perspectives concerning the capacity of nation states to determine labour market directions and outcomes, the research process adopted in this thesis has been to use empirical evidence to illustrate the variation in national approaches that persists in the globalised economy.

Unique Institutional Arrangements

Qualitative research methods have highlighted the different ways three industrialised economies are responding to relatively similar issues in the tourism and hospitality industry. The reasons for these different approaches are more clearly understood once the formal and informal institutions that are responsible for generating them have been described as they were in the background chapters for each case study. An examination of the factors responsible for shaping the United States industrial relations system in chapter 3, for instance, demonstrates that high levels of growth and employment have been sustained in a public policy framework that maintains flexibility with minimal product and labour market regulation. Rising unemployment during the economic turmoil of the 1970s was addressed by neo-liberal policies within a competitive labour market, rather than one regulated by legislation or collective bargaining (Padalino and Vivarelli 1997: 194) as in continental European countries. Macro and microeconomic policies adopted in response to slow economic growth were primarily aimed at reducing inflation, supporting the free movement of capital and investment and deregulating goods, capital and labour markets (Gill 1999: 482). During the past three decades, when some OECD countries have increased their investment in labour market programs, the United States has curbed public expenditure on social programs in an effort to reduce inflationary budget deficits and high levels of taxation.

An analysis of the United States tourism and hospitality labour market in chapter 4, describes the employment outcomes generated by a liberal market economy. High labour force participation rates and low rates of unemployment have been accompanied by sustained employment growth in both the high and low-skilled sectors. However, in the absence of the employment regulations and social protection legislation that is found in many continental European countries, the bulk of low-wage workers are dependent on market forces to maintain employment conditions. The only buffer provided at the institutional level is Federal and State laws, which guarantee minimum wages and minimum employment standards. This is entirely consistent with the tradition of employment regulations established in this country. In the era under examination, when other industrialised countries have been deregulating their labour markets, little change has occurred in the institutional structure in the United States, as it is regarded as being highly successful in achieving its objective, viz. to generate employment. Policy changes that have been implemented have focussed on ways of increasing the flexibility of workers in a flexible labour market – ensuring that both are responsive to market fluctuations.

In stark contrast to the employment generating capacity of the United States labour market, many continental European countries have registered severe labour market problems that are reflected in high and persistent levels of unemployment. In chapter 5, an examination of the differential impact of structural changes in the global economy illustrates that there are wide variations both within and beyond the labour markets of continental European and particularly by comparison with the United States. Addressing intransigent labour market problems, particularly in the larger states, has become a priority on the European social policy agenda. In broad terms, the response of continental European countries has been to maintain comparative wage rigidity and publicly financed social security programs while the United States has pursued increased wage flexibility based on skill, age and experience.

Case studies of two individual European nations in chapters 6 and 7 provide very different examples of the way labour market problems of the past three decades have been addressed. Analyses of recent reform of the major policy areas affecting Italian employment and employment relations in chapter 6, identifies the intransigence of regional disparities. Since many policy and institutional changes have been designed to improve the employment opportunities of persons most disadvantaged in the current labour market, because of age, gender or geography, they are concentrated in the southern regions. Reform of the taxation and welfare system however, is intended to reduce the tax burden on all employers and generate more employment. Institutional change of the collective bargaining system has been geared towards making it, as well as the general labour market, more flexible. In addition, tripartite agreements particularly the national wages and incomes policy, have occurred with the co-operation of social partners intent on improving the functioning of individual enterprises, the labour market and the economy in general. By comparison with many other OECD countries, earnings inequality actually declined in Italy during most of the 1980s.

The analysis of the Danish labour market in chapter 7 illustrates that, like other OECD countries, liberal market principles have been adopted by successive Social Democratic Governments. Nonetheless, tripartite cooperation between social partners in regulating the labour market, strong employer and trade union representative organisations and a centralised collective bargaining process remain integral components of the Danish industrial relations system. The relative success of the Danish model is linked to the institutionalised relationship between government, employers and trade unions in developing and implementing public policy, a practice that reflects the principles of social consensus on which Danish society is founded. There are some broad social implications of policies developed in this way, e.g. unskilled male and female workers in Denmark and those with the highest unemployment rate have not experienced a decline in income relative to skilled workers. While

the labour market is considered a very flexible one, the integration of labour market, education, welfare and social security programs limits the potential for employment insecurity that exists in other nations that have pursued the same degree of labour market flexibility.

Analysis of employment changes in the hotel and restaurant industry that have occurred in each of the countries examined, exemplifies how structural and cultural differences determine the methods adopted to address similar issues in the same industry. This study demonstrates that while the relevant institutions have been faced with comparable problems associated with the seasonal nature of the industry, including labour turnover and the consequences for maintaining skill levels, the strategies they have implemented vary considerably. The approaches that are applied are more in accordance with national traditions and practices than with the nature of the common global pressures that are impacting on each country's labour market or the common industry exigencies.

Employment Changes in the Hotel and Restaurant Industry

In the two European nations, a collective response to the issue of training and retaining skilled labour is consistent with their tradition of social partnership. In the case of Italy, a small percentage of seasonal workers maintain their regular job and income throughout the year by participating in vocational training provided by bilateral agencies in the low season. Funded by employer and labour associations, these agencies use the space created during slow trading periods to upgrade the skills of employees in the industry. In the Danish example, where vocational training is highly organised at the secondary, tertiary and post-compulsory level, trade unions and employers in the hotel and restaurant sector have agreed to the practice of using functional flexibility rather than numerical flexibility in certain cases. In this way, the allocation of tasks instead of the number of employees is adjusted in response to fluctuations in demand. Innovative strategies include incorporating two part-time positions into a full-time occupation in periods when labour demand is reduced.

In both these instances, new employment practices have been developed by employer and employee organisations according to the process of institutionalised social dialogue that was discussed in chapter 5. In the United States, on the other hand an individualised employment and salary structure as described in chapter 4, is accompanied by employer-initiated methods of attracting and retaining skilled employees. These methods include increased wages, fringe benefits, promotion and training opportunities, which have resulted in substantial salary increases for the highest paid workers in this industry. In addition, a small minority of employees covered under collective agreements are entitled to seniority privileges, which guarantee wage rises and other benefits, and can result in considerable increases in income². It must be noted that in each of these three examples that have evolved within either a social democratic or liberal-market framework the impact in relation to the overall labour market sector under discussion is marginal. These examples do, however demonstrate the influence of different ideologies and institutional arrangements on contemporary labour practices.

In relation to macroeconomic issues, in the two European countries labour organisations play a significant role in attempting to improve national competitiveness. Danish trade unions have been engaged with employers in improving rates of labour productivity and enterprise efficiency since the original bi-partite agreement, in 1899. During the past decade in particular, Italian unions have pursued wage moderation in historic tri-partite negotiations, which were motivated by attempts to redress some of the more intransigent economic and employment problems facing the country. Similar collaborative developments are not evident in any widespread fashion in the United States, although labour-management partnerships that have emerged in association with post-Fordist production methods have a similar aim of improving productivity and performance (Quan 2000: 3; Turner 1997: 309). In general, however

² See Chapter 4, page 135 for a discussion on the earnings differential for senior employees in unionised establishments.

labour unions in this country pursue a traditionally confrontational role in negotiating employment issues on behalf of their constituents as well as garnering community support in specific campaigns.

It is difficult, if not impossible, to compare outcomes from these processes. The emphasis here has instead been on illustrating that contemporary practices have deep historical origins. An examination of matters affecting the broader tourism industry demonstrates the way national operations are shaped by local customs. A small, but telling and typical example of this phenomenon is the way in which the co-ordination of tourism activities has been initiated in each of the three countries studied in recent decades. A nationwide Tourism Organisation that was recently established in the United States by private enterprises addresses the commercial issues prioritised by its member organisations. By contrast, publicly funded regional and national tourism development authorities are responsible for co-ordinating appropriate responses to more general business, labour, ecological and environmental issues that affect the tourism industry in Denmark. National and regional institutions that have been established in Italy with similar aims are less formalised, to date. The different emphasis of each of these broadly similar bodies highlights the distinctions that exist between each approach.

Challenges for Contemporary Policymakers

Three very different models of labour market regulation are illustrated in this analysis of two of the more flexible and one of the most regulated labour markets in the OECD. In the industry selected for closer examination, one with more flexible employment arrangements than most, the two European countries have incorporated innovative measures into recent collective agreements. Italian seasonal workers in the hotel and restaurant sector are now entitled to many of the benefits of full-time employment. Similarly, Danish part-time employees in this industry are now eligible for annual leave, paid at the same rate as their part-time salary. There are also regulations concerning the minimum and maximum

number of hours part-time workers in Denmark are required to work each month. Flexible employment arrangements are more common in the United States hotel and restaurant sector than in many others, but there is a relatively small incidence of part-time contracts, largely because in many occupations low hourly rates generate insufficient income. Secondly, for structural reasons, non-standard employees in the U.S. have very limited union coverage and consequently less likelihood of gaining access to the employment benefits incorporated into collective agreements.

The effect of the constant interaction of influential ideological perspectives, cultural norms and social traditions on the formulation and reformation of public policies has been demonstrated throughout this thesis. Significant events that have occurred since the time this research commenced highlight this point. Despite a change of government from left to right in each country analysed, the influence of ongoing national traditions is such that substantive long-term changes in their general policy directions are unlikely. The volatile reaction shown by Italian trade unions in marshalling two million people to march on Rome in March 2002, to protest Silvio Berlusconi's proposed new laws on labour market flexibility is evidence of the mediatory capacity of social forces in this nation. Such is their strength that some commentators (Willan 2002: 5) argue that a similar rally contributed to Berlusconi's fall from power in 1994. These factors demonstrate very clearly that there is more at work in shaping national directions than a different political regime. While political parties most commonly position labour market management at the top of the policy agenda at election time, much deeper influences shape national directions than individual political parties. Policies do change but their impact is less profound and pervasive than the deeper, ongoing social forces that are discussed in relation to the specific countries in this thesis. Differences in these social forces are apparent within as well as between countries as strongly illustrated in the Italian case study, where deeply embedded

economic and social disparities between regions persist beyond the efforts of consecutive political administrations to ameliorate them.

Developments in the European Union are of immediate relevance in this context, since they provide a potential model for the homogenisation of national priorities and practices within regional boundaries. Much of the evidence to date, points away from the likelihood of this occurring. Some states have opted to remain outside the European Community altogether and three member states have decided not to adopt the euro currency. Initial efforts to establish common methods of regulating employment that harmonise labour standards were replaced during the mid 1980s with the practice of advocating minimum standards to be implemented according to national, sectoral and enterprise objectives. The possibility of this process creating a downward pressure on labour standards consequently led to a concerted reaction by interest groups in certain high-wage countries, with vastly different economic and employment structures. Countless other examples of nations and groups within nations resisting the pressure to conform to external objectives are evident in the European regional experiment.

The findings of this thesis present contemporary policymakers with new perspectives in dealing with the challenges such as those nominated at the start of this chapter. If the global economy is indeed entering another deep recession similar to the one that led to prolonged labour market problems from the 1970s onwards, further restructuring of industry, goods, financial and labour markets will undoubtedly follow. This research demonstrates that in the face of powerful global economic forces there is enormous resilience and innovative capacity within national borders. Governments, policymakers and other relevant institutions can perceive within their own histories and from the practices pursued in other similar market economies that there is a range of options available in addressing contemporary labour market problems.

It is also clear from this research that labour markets within the same nation are exposed to the effects of global economic pressures in a differential manner. By coincidence, the regions of Italy and the United States that were selected for empirical research because of their high tourism component, are operating very successfully in terms of economic and employment outcomes. The cities of San Francisco and to a lesser extent Washington, D.C. have tight labour markets, while in the northern regions of Italy employment growth is strong and unemployment is 10 percentage points lower than the national average.

Italy provides an intriguing case study in this thesis. Taking into account all the peculiarities that occur in terms of the informal economy and the industrial structure, the role of family in supporting the vast number of small and medium sized enterprises and immense cultural and regional differences, the relationship between global integration and economic development is striking. The contrast between the regions in the highly successful industrialised north with regions in the undeveloped south is as vast a difference as could be found between any two countries in the OECD. Similar regional differences are apparent, but to a much lesser extent in the United States and Denmark.

This study has chosen nation states as its subject matter, for obvious reasons. In an examination of the material, including the volume of statistical data, it has become clear that nation states, while they remain highly relevant, are not the only unit that may be considered for examination. Recent research on the uneven development within industrialised nations has led OECD experts (Arzeni 2002) to conclude that in many instances macroeconomic policies have failed regional economies³. While this thesis has examined regional initiatives in the tourism and hospitality industry, it has done so within a macroeconomic policy environment. Its findings provide the raw material for ongoing research into the capacity of nation states to re-distribute the gains that accrue from

³ The recent (OECD 2001a) report *Cities and Regions* focuses on the range of disadvantages and opportunities that regional economies encounter in adapting to shifts in global markets.

global economic integration particularly in association with growth industries such as tourism and hospitality.

Appendix 1: List of persons interviewed

Name	Occupation/Organisation
A	
Alsoe, Per "André"	Economist, Ministry of Labour, Denmark 42 year old chef, employed part-time in restaurant food preparation, Bologna, Italy
Appelbaum, Eileen,	Research Director, Economic Policy Institute, Washington, D.C., USA
Arigotti, Dario	Head, Training Support Service, International Training Centre, International Labour Organisation (ILO), Turin, Italy
Arzeni, Sergio	Manager, Local Economic and Employment Development Program, OECD, Paris, France
Auer, Peter	Head, Labour Market Policy Team, Employment Strategy Department, ILO, Geneva, Switzerland
B	
Bardi, Andrea	Istituto Per Il Lavoro, Bologna
Belau, Dirk	Hotel and Tourism Branch, ILO, Geneva, Switzerland
Bjerring, Bodil	Department of Development and Planning, Aalborg University, Denmark
Boardman, John	President of Local 25, Hotel and Restaurant Employees (HERE) Union, Washington, D.C., USA
Boatwright, Mabel	Business Agent, Local 25, HERE Union, Washington, D.C., USA
Bonazzo, Deno	Regional Secretary, FILCAMS – CGIL, Bologna, Italy
Budin, Barbro	Education Secretary, International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations, Geneva, Switzerland
C	
Castro, Manuel	Director of the restaurant and club division of Local 2, HERE Union, San Francisco, USA
Cavazza, Simonetta	Manager, Women in Development, International Training Centre of the ILO, Turin
Ceccarelli, Dario	Research Officer, Osservatorio del Mercato del Lavoro, Regione Autonoma, Valle d'Aosta
Ciapetti, Lorenzo	Analisi Territorio Ambiente Risorse E Sviluppo, Forli, Italia

Conforti, Luciano	Union organiser, FISASCAT-CISL, Maestre, Italy
Cuellar, Citto	Organiser, Local 2, HERE Union, San Francisco, CA, USA
D	
“Danny”	30 year old porter employed in Class A Hotel, San Francisco, CA, USA
Dent, Eileen	Senior Economist, Labour Market Information and Research Division, District of Columbia, Department of Employment, Washington, D.C., USA
E	
Easley, Arline	Economist, Women’s Bureau, U.S. Department of Labor, Washington, D.C., USA
F	
Ferreri, Marco	Local Official, FISASCAT – CISL, Bologna, Italy
Follis, Massimo	Department of Social Science, University of Turin, Italy
Friis Jensen, Jens	Deputy Manager of the Danish Tourism Development Centre, Denmark
G	
Giaccone, Mario	Research Officer, Istitute Ricerche Economiche e Sociale, Maestre, Italy
“Girda”	41 year old waitress, employed as a seasonal worker in a large hotel in Venice, Italy
“Guido”	45 year old chef with 22 years experience, currently employed in Rimini, Italy
H	
Hammer, Bo	Economist, Ministry of Labour, Denmark
Harper, Harriett J	Manager, Women in Global Economy Team, Women’s Bureau, U.S. Department of Labor, Washington, D.C., USA
“Henry”	39 year old cook with 21 years experience in food preparation, Copenhagen, Denmark
J	
Jensen, Aage	Deputy General Secretary, Restaurations Branchens Forbund (RBF), Denmark
K	
Khan, Azfar	Senior Economist, InFocus Programme on socio-Economic Security, ILO, Geneva, Switzerland
Knudsen, Herman	Senior Lecturer, Department of Development and Planning, Aalborg University, Denmark

Kvistgaard, Peter	Research Associate, Tourism Research Unit, Centre for International Studies, Aalborg University
L	
“Laurence”	27 year old porter, employed in Class A Hotel, Washington, D.C., USA
Lonstrup, Nils	Secretary of Chefs Group, RBF, Denmark
“Lyddia”	32 year old food preparation and service attendant in Bologna restaurant, Italy
M	
Madsen, Per Kronshoj	Associate Professor, Institute of Political Science, University of Copenhagen, Denmark
Maertens, Eric	Executive Assistant, ILO, Geneva, Switzerland
“Marco”	27 year old union organiser, with CGIL, Rimini, Italy
Maroni, Cristina	Local Official, FILCAMS – CGIL, Bologna, Italy
Martinese, Guglielmo Walter	Senior Research Officer, Camera del Lavoro Territoriale, Ufficio Studi e Ricerche, CGIL, Rimini, Italy
“Mario”	20 year old foreign student, employed as a part- time waiter, Bologna, Italy
“Maurizio”	31 year old porter, working as a seasonal employee in a large hotel in Venice, Italy
Mauro, Luciano	Centro Studi, Confcommercio, Rome, Italy
“Mary”	59 year old cleaner employed in Class A Hotel, Washington, D.C., USA
“Mike”	35 year old room service attendant, employed in Class A Hotel, San Francisco, USA
Moos, Bent	Secretary for Waiters at Sea, RBF, Denmark
Moses, Henry	Research Director, Local 25, HERE Union, Washington, D.C., USA
N	
Nexelmann, Eric	Head of Division, Ministry of Education, National Education Authority, Denmark
“Nicolo”	38 year old union organiser, with CGIL, Rimini, Italy
Novak, Kenneth	Chairperson, Waiters Group, RBF, Denmark
P	
Parisotto, Aurelio	Senior Research Officer, International Labour Organisation, Geneva, Switzerland
Pedersen, Merete	Ministry of Education, National Education Authority, Denmark
Pellegrine, Claudio	Industrial Relations Ricercatore Confermato Universita di Roma, Italy

“Per”	39 year old cook employed in a Copenhagen restaurant, Denmark
Pesce, Chiara	Manager, Job Matching and Orienteering Service, EBT, Venice, Italy
Petersen, Birgit	Chairperson of Unskilled Workers Group, RBF, Denmark
Poppe, Robin	European Social Fund Co-financed Programs, International Training Centre, ILO, Turin, Italy
R	
Ries, Marcello	Research Director, SindNova, Rome, Italy
Riese, Vittorio	Research Officer, Istitute Ricerche Economiche e Sociale, Turin, Italy
Rigo, Fabio	FILCAMS-CGIL, Venice, Italy
Rodinelli, Daniella	International Official, FISASCAT-CISL, Rome, Italy
“Rosie”	22 year old bar attendant in large café, Bologna, Italy
S	
Self, John T	Associate Professor and Chair, Hotel, Restaurant and Tourism Management Department, Golden Gate University, San Francisco, CA, USA
Sforza, Guisepppe	General Secretary, FILCAMS-CGIL, Venice, Italy
Sommer, Finn M	Assistant Professor, Roskilde University, Denmark
Stern, Rob	Information specialist, American Hotel & Motel Association, Washington, D.C., USA
Strachan, Grace	Senior Economist, Target Groups Unit, Employment Sector, ILO, Geneva, Switzerland
Strieb, Lee	Senior Research Analyst, HERE Union, San Francisco, CA, USA
Sziraczki, Gyorgy	Head, Target Groups Unit, Employment Sector, ILO, Geneva, Switzerland
T	
Tam, Paak-Yin	Labor Market Consultant, Employment Development Department, San Francisco, CA, USA
Thi-Do, Tho	Secretary-Treasurer, Local 2, HERE Union, San Francisco, CA, USA
Thomas, Connie	Assistant General Manager of the Harrington Hotel, Washington D.C., USA
Thomsen, Britta	Project Manager, HK Service, the Union of Commercial and Clerical Employees, Denmark
Thorne, Liz	Director of Local 25, HERE Union, Washington, D.C.
V	
Valli, Vittorio	Professor, Department of Economics, University of Turin, Italy
Visentin, Alessandro	Secretary for Eastern Venice Provincial Level, FILCAMS-CGIL, Maestre, Italy

Wallace, Nancy	Director of Organising, Local 25, HERE Union, Washington, D.C., USA
Werlein-Jaen, Lamoin	Vice President, Local 2, HERE Union, San Francisco, CA, USA

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