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**C**hallenges for Europe under value  
chain restructuring  
Contributions to policy debates

*Pamela Meil (ed.)*



# Challenges for Europe under value chain restructuring

## Contributions to policy debates

Pamela Meil (ed.) (ISF)

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Higher institute of labour studies (K.U.Leuven)  
*Hoger instituut voor de arbeid (K.U.Leuven)*  
Parkstraat 47, B-3000 Leuven, Belgium  
[hiva@kuleuven.be](mailto:hiva@kuleuven.be)  
<http://www.hiva.be>

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# Contents

<b>1</b>	<b>Introduction to the report</b>	
	<i>Pamela Meil</i>	5
1.1	The chapters	6
1.2	Policy and practice	9
<b>2</b>	<b>Value chain restructuring and its effects on the employment relationship and working conditions</b>	
	<i>Pamela Meil</i>	11
2.1	Frameworks of policy	11
2.2	Effects on work and employment	12
2.3	Industrial relations and national types	14
2.4	Works results and policy challenges	15
2.5	Sector findings	15
2.6	Sector summary: strategies for meeting challenges	22
2.7	Challenges for the industrial relations actors and EU policy	23
<b>3</b>	<b>Equal opportunities in value chain restructuring: policies and practices</b>	
	<i>Maria Stratigaki</i>	27
3.1	Introduction	27
3.2	EU policies for gender equality and anti-discrimination in the workplace	29
3.3	Equality plans and diversity management in businesses	34
3.4	Results of the WORKS project on work-life balance: policy implications and policy recommendations	37
3.5	Results of WORKS project on gender and ethnic segregation in the workplace: policy implications and policy recommendations	41
<b>4</b>	<b>Retraining and skilling policy and practice in value chain restructuring</b>	
	<i>Petros Linardos</i>	45
4.1	Frameworks of policy	45
4.2	Conceptual discussion on skilling and learning	45
4.3	EU policy landscapes (guidelines, directives <i>etc.</i> )	50
4.4	Evidence from the organisational case studies	54
4.5	Conclusions	60
<b>5</b>	<b>The role of institutions and social governance in restructuring</b>	
	<i>Per Tengblad / Peter Docherty</i>	63
5.1	Introduction	63
5.2	Social aspects of work – and motives for governing them	64
5.3	Structures and stakeholders in the social dialogue	66

5.4	Regulating social governance	67
5.5	Value chain restructuring, participation and social governance – results from the WORKS project	69
5.6	Restructuring processes and social governance – realities and recommendations	73
<b>6</b>	<b>The future of work in European knowledge societies: policy implications</b> <i>Duco Bannink / António Brandão Moniz / Margarida Ramires Paulos / Bettina Krings / Linda Nierling</i>	85
6.1	Introduction: towards knowledge societies	85
6.2	The knowledge society and its implications for work organisation	87
6.3	Welfare regimes in the knowledge society	96
6.4	Policy implications	106
<b>7</b>	<b>Towards a future agenda</b>	111
	<i>Bibliography</i>	115

# 1 Introduction to the report

PAMELA MEIL (ISF)

The policy challenges presented here have been derived from the empirical results obtained from the WORKS quantitative and qualitative data. Thus they have been informed by the analysis of survey results and particularly the workplace level analyses on restructuring across value chains carried out in the organisational and occupational case studies. They have also benefited from the analyses carried out in the thematic papers, which laid the foundation for identifying policy challenges. In the complex and diverse area of policy presented here, we first set out to situate our particular theme in a larger conceptual landscape and address the following issues:

- What current policy debates surround the issue under investigation?
- What institutions or structures currently exist that are mainly responsible for regulating the topic?
- What themes emerge from the WORKS case studies? What deviations are there between policy and practice? What challenges for policy emerge?
- Which levels of policy, which actors should address the challenges?

Policy formulation is refracted through the different social structural frameworks in different countries. Institutional and historical contexts shape these structures. The contexts also shape expectations, norms and discourse in which policy is made (O'Reilly, Cebrián & Lallement, 2000). Thus systems differ in terms of their exclusivity, closure or segmentation. Corporatist systems in which some workers and sectors are well-regulated tend to protect core workers. Here group identity and divisions between labour would be the standard and discourse of the policy context. Liberal systems are characterised by emphasis on individual initiative and less regulation, so that the discourse surrounds individual ability and attractiveness on the labour market. Universal systems, usually associated with Nordic country models, would emphasise solidarity across a broader social spectrum and the discourse would be one of inclusiveness and societal responsibility. EU policy formulation is thus confronted with the task of protecting European workers and improving employability, although the policy is mediated through a variety of levels (state, region, and sector) as well as a variety of institutions and actors. The diverse institutional levels in state, regions and sectors are companies, industrial relations institutions (unions and employer associations), works councils at the company level, professional or occupational organisations. The actors involved are employers or managers, collective actors, occupational or professional groups and individuals. These actors bring with them their own interests and demands. Also, the interrelationships between actor and institution are shaped by the structures and contexts found at state, regional and sectoral level. Thus frames of reference for regulation as well as the ability to regulate vary. Moreover, the national and state context does not produce unilateral outcomes: the WORKS results showed very clearly that these are mediated by occupation and sector.

Another challenge is that even given different national institutional contexts and strong discourses within countries or regions about regulation, there are also differences within countries. Moreover there appears to be an increasingly aggressive effort on the part of companies to bypass regulation even in strong institutionalised settings. Is this part of a more general shift in the propositions upon which regulation in Europe is based? Is this shift occurring as a result of the blurring of boundaries due to value chain restructuring? Or the development towards a knowledge society? Or movement away from concepts based on a universalist, socially inclusive Europe? A number of researchers see the contradictions between the goals of improving competition and protecting the interests of labour to be widening. They argue that the generous social benefits and collective bargaining structure of many European states which were once seen as public goods are increasingly being viewed as a drag on national efficiency (Jacoby, 1995; Mares, 2001). As the demands for competing in a global economy increase, so does the role for policy to create and monitor the institutions necessary to promote growth and, at the same time, maintain high employment standards and quality of work.

## 1.1 The chapters

The EU position as presented in published guidelines and directives is to promote employability by improving the skill and knowledge base of employees and potential employees and through forms of flexibility that help company competitiveness but offer a basic level of security for employees. We have selected the issues of skills and knowledge, gender and equality, and employment and work, because they are targeted by the EU guidelines as major aspects of reaching the Lisbon goals and have central policy relevance. The labour market context and social governance structures provide an explanatory background of institutional frameworks in which policies develop and get implemented. They are crucial to the policy context.

*Skills and knowledge*, for example, are given central roles in employment outcomes in the knowledge society. Investments in skills are supposed to lead to positive employment outcomes. Various theoretical approaches, the varieties of capitalism arguments, for example (Hall & Soskice, 2001) maintain that institutional configurations that produce high levels of skill are associated with contexts with higher-quality employment. Other studies have found a positive relationship between high skills, standard employment contracts, pay by performance, and the presence of strong organised employee representation (Fourth European working conditions survey, 2007; Bannink, Hoogenboom & Trommel, 2007).

Given such positions, the European Union has also put a great emphasis on raising skill levels in the EU as a whole as a policy target. In terms of overall findings in WORKS on the issue of skill and knowledge, the outcomes are somewhat alarming. There were no real signs of the learning organisation or evidence of movement towards learning job structures or work environments. Also, vocational education and training (VET) institutions which impart intermediate levels of qualification are in fact eroding in systems in which they were once strong (Germany and the Netherlands for example) due to decreases in traditional manufacturing and absence in other sectors (such as IT). Finally the balance of who is providing skilling is shifting so that individual companies and

employees are becoming the prime actors in securing competence development along the career. This points to an increasing individualisation of skill and training provision.

In the qualitative studies of WORKS, the cases were often at the higher end of the value chains we were investigating. After the externalisation of lower value added activities, a reorientation of strategies based on innovation rather than purely cost-reduction, there was evidence of skill upgrading in several cases, for instance in the textile industry (Ramioul & De Vroom, 2009; Flecker & Holtgrewe, 2008). These broadening of skill development strategies induced by market pressures also led to individualised paths to competency development.

The chapter on skilling and knowledge in this report by Petros Linardos looks at changes in the institutional provision of skilling, EU policy measures and their effectiveness in meeting the needs of workers for skills and training under conditions of value chain restructuring, and what policy response is appropriate given the findings from the WORKS case studies.

*Equal opportunity and non-discrimination* are two strongly represented principles in EU policy directives. The policy relevance comes from an assurance for equality in work and employment conditions by gender and ethnicity, to promote training and employment strategies that are geared to prevent precariousness and polarisation in a global economy, the promote provisions for childcare which reduce the private care burden particularly for women. Thus there is a commitment to reach high levels of employment for women, to improve employment prospects for good work, to support equal pay, and to provide the infrastructural conditions for working parents. WORKS results showed various consequences for gender and ethnicity which vary according to sector and business function (Dahlmann, Huws & Stratigaki, 2009). In traditional industrial settings such as production in the food sector, there was a use of ethnic groups to carry out lower level, unskilled work, under contract arrangements that were non-standard and poorly paid (Gorm Hansen, 2007; Stoeva, 2007; Meil & Schönauer, 2008).

In R&D in the textile and IT sectors there were overall increased levels of female labour force participation, although in IT R&D, women were not well-represented. The general tenor in the business function was that it was a male type world, although there were more women in it. This refers to the mobility requirements and the long hours which made work-life balance and community engagement difficult. Women were particularly affected in the restructuring of the public sector, both in customer services and IT services provision. Women have high rates of labour force participation in public services. Restructuring resulted in an erosion of collective agreements which had made the public sector jobs attractive for workers with family and care responsibilities. Cases of more flexible hours, but also of a reduction in the willingness to employ part-time workers, were found in the restructuring process to the private sector.

Maria Stratigaki links these developments to the extensive regulation existing at the European Union on equal opportunity and non-discriminatory practices and derives a number of policy challenges and possible policy responses at a number of different institutional levels.

Providing employment opportunities with decent work and job security are also priorities for regulation in the EU. The case studies in WORKS and the thematic paper on flexibility (Flecker, Holtgrewe, Schönauer & Gavroglou, 2009) showed that flexibility is one of the main instruments used by companies to achieve cost saving effects and the forms and strategies that are used have major impacts on the *quality of employment and con-*

*tent of work*. Flexibility in the form of outsourcing to less regulated areas or hiring workers on non-standard contracts makes it possible to bypass various existing types of employment regulation. Particularly in corporatist institutional contexts, flexibility strategies reinforce the distinctions between ‘core’ and ‘non-core.’ Nonetheless ‘core’ workers find themselves under increasing pressure as flexibility strategies increase. The threat of relocation or using more and more precarious types of workers can put pressure on workers for concessions. The types of risks for work can be intensification, pressure and demands for mobility, which in turn, can have negative effects on health (Di Nunzio, Hohnen, Hasle, Torvatn & Øyum, 2009). Fragmentation is also an employment outcome that was evident across a number of sectors and business functions in the case studies. Fragmentation results in diverse work contracts with a single company, and flexibility demands which are unevenly distributed along the value chain, creating unequal working conditions between units and sites. Finally, a difficult area for regulation, but one captured in the WORKS findings is the changing content of work through value chain restructuring. This can result in a downgrading or deterioration of working conditions which should be of concern to policymakers. Such outcomes include formalisation, standardisation, and codification of work practices. Naturally this issue was usually dealt with at the company level through, for instance, works councils. However, many sectors in services do not have representation. Also in many institutional contexts the company level for representation is weak or non-existent. Even active works councils find it difficult to respond to consequences that result from restructuring across company boundaries.

The chapter in this report on challenges for work and employment under restructuring by Pamela Meil addresses these issues and derives policy implications from these practices at various levels of regulation.

The collective actors and partners in social dialogue have an important role in creating long-term sustainable organisations and a high-quality work life. For the existing institutions of *social governance*, value chain restructuring presents a number of challenges that require new perspectives on regulation as well as new avenues of communication and links between organisational structures. The WORKS case studies revealed that restructuring activities generally are characterised by management prerogatives (Meil, Tengblad & Docherty, 2009). The institutions and guidelines that exist to give workers a voice in restructuring matters have not been very effective. Moreover, nationally anchored collective actors have a difficult time responding to transnational strategies of companies. Additionally there are problems reconciling differing EU and national positions on various issues so that companies can more easily play one site against another.

Per Tengblad and Peter Docherty examine the interaction between stakeholders in economic organisations in the framework of EU and national level regulation and analyse the challenges that value chain restructuring brings for achieving social governance.

In their chapter on the *Future of work in knowledge societies: policy implications*, Bannink, Moniz, Ramires Paulos, Krings and Nierling look into the contexts which constrain how work gets defined and shaped and the shifts in these contexts as the regulatory powers of national frameworks weaken in the face of value chain restructuring and the rise of the knowledge society. They identify a new emerging constellation of social policy systems that depart from the former categories of liberal/uncoordinated and corporatist/coordinated as found in traditional industry-based regimes. Based on the scenarios developed in the thematic paper of the theory pillar, Moniz, Paulos & Bannink (2009) consider

future trajectories and their policy implications and offer impulses for developing a European strategy which supports labour regulation across borders.

## 1.2 Policy and practice

Attempting to investigate the policy context and derive policy challenges in a European project covering thirteen EU countries, in which value chains and thus cross country and cross company processes were examined in a variety of different sectors and business functions, is a daunting task. We investigated the effects of changes on work at the level of the workplace and individual workers. Yet a number of different policy levels and actors determine the laws, guidelines, and frameworks in which work is carried out. These, in turn, are mediated by levels of representation, national contexts, and company strategies. Thus we can expect deviations between existing policy and practice.

One goal of this report is to explicitly examine what effects specific EU regulations, such as on transfer of workers, rights of part-time workers, anti-discrimination legislation, requirements for information and consultation on restructuring, and what role organisations that are mandated to meet and protect worker interests, such as committees on health and safety, European works councils, *etc.* are having at the level of the workplace. Internationalisation is said to lead to increases in inter- and intrasectoral differentiation within countries (Gold, Cressey & Leonard, 2007). The chapters in this report show that the various levels of intervention for policy – national, regional, company – will continue to have relevance because the processes relevant for policy development are not uniform across country or sector. Thus multilevel governance is needed. However, supranational institutions such as the EU have a responsibility to use their regulatory power to mitigate inequalities forming across the value chain and to better monitor and enforce existing regulation. It is at the level of work that the best balance between generality and specificity can be found. It is through studies carried out at the workplace level that the gaps between how regulation is meant to function and the reality become visible and thus important impulses for policy formulation.



## 2 Value chain restructuring and its effects on the employment relationship and working conditions

PAMELA MEIL (ISF)

### 2.1 Frameworks of policy

Since the Lisbon Strategy in 2003, EU policy has been geared towards creating a competitive environment for EU economies and achieving employability for its work force. Employability has been linked to targets for employment growth, goals for groups of workers that have had disadvantageous positions in the labour market and need particular anti-discriminatory or support mechanisms to achieve employment targets, such as women, minorities, the elderly, unemployed youth, *etc.* The means to employability has traditionally involved skilling and training initiatives and support programs for labour market equality.

In the most recent employment policy guidelines of the EU from 2005-2008 the goals were (Commission of the European Communities, 2007):

1. attract more people into employment and modernise social protection systems;
2. ensure inclusive labour markets;
3. enhance work attractiveness, by, for example, making work pay more attractive;
4. improve the matching of labour market needs with supply;
5. promote flexibility combined with employment security and reduce labour market segmentation having due regard to the role of social partners;
6. develop employment friendly labour cost developments and wage setting mechanisms;
7. expand and improve investment in human capital;
8. adapt education and training systems.

Thus it is clear that for EU policy on work and employment the general logic is that competitiveness should contain a mix of flexibility with employment security, as well as providing the workers the skills needed to be competitive on the labour market and employers the skills they need to be competitive in the global economy. Active labour market policies have also taken a more prominent role in EU guidelines so that measures designed to strengthen labour market institutions, especially employment services, have gained in importance. The needs of employees are considered in measures to provide social services, ensure social inclusion and make working more attractive. However, the main thrust is away from protecting existing jobs or strengthening social benefit and protection systems, towards getting people into employment and reorienting the unemployed.

Few EU guidelines or Directives deal directly with restructuring. The term in EU jargon is in any case associated with job loss and not the many other consequences surrounding

value chain restructuring. One new guideline (Integrated guideline n° 21) does address various aspects potentially linked to value chain restructuring through the topic of flexicurity. It reads, 'promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners' (*ibid.*: 30). Here the issue of fragmentation is indirectly addressed in the statement, 'adaptation of employment legislation reviewing, where necessary, the different contractual and working time arrangements'. Restructuring is also specifically targeted through 'better anticipation and positive management of change ... so as to minimise their 'the changes' social costs and facilitate adaptation' (*ibid.*: 31).

Two characteristics of the current guidelines on employment are their vagueness in terms of actual measures and the fact that several of the points stress the expectation of individual activity for achieving employability. This is a break with former guidelines and directives on restructuring which were aimed at the institutional and regulatory levels, also strengthening the role of social partners in the process. One example that emerged from this orientation is the directive on information and consultation on restructuring which stipulates that companies have to inform workplace representatives of restructuring plans. Another is the TUPE regulation (Transfer of Undertakings, Protection of Employment Directive) which requires that existing contract provisions for employees have to be maintained for at least one year in cases in which a transfer of employees has taken place.

## 2.2 Effects on work and employment

Value chain restructuring has a variety of effects on work and employment. These effects take place at different levels: levels of regulation, the employment relationship, and the level of work (its content, its organisation). Moreover, different groups of workers or occupations can be affected differently by the same measures of restructuring. All of these factors represent major challenges for policies on regulating employment and work and having effective responses to value chain restructuring.

The most direct consequences of value chain restructuring are those dealing with the employment relationship and changing work conditions. The former involves changes in contractual arrangements such as permanent *versus* fixed-term, temporary, seasonal, *ad hoc* or self-employed employment relations. This also encompasses overall job security, such as job loss or retention, pensions, health plans, flexicurity measures, *etc.* Value chain restructuring can also have impacts on wages and incomes with varying payment schemes through employee transfer or outsourcing, and pressure for concessions through threat of relocation.

Working conditions in general encompass all aspects of work and the contractual relationship between employer and employees - forms of employment, the way in which wages are determined and distributed, working time arrangements (both in terms of duration of work and timing of work, *i.e.* parental leave; individual time arrangements; telework), occupational health and safety, rules and regulations on entry, career development and exit/redeployment.

Changing work conditions involve issues such as working time, for instance, extended working hours or irregular working hours, but also work intensification through demands on performance, mobility, travel, increased speed and pressure. Other issues are demands

for flexibility, related to working time, but possibly also to adding on new work tasks (which might be a positive consequence of restructuring) and changing content of work (for instance through the use of ICTs, changes in front- and back-office tasks, changes in the division of labour across value chain units, *etc.*). Organisational flexibility usually focuses on the flexible use of personnel in numerical or functional terms. Positions for deregulation openly argue that this flexibility use is necessary for the economic survival of firms in a competitive market. How flexibility is used varies by the institutional context in which firms operate and by the different strategies for reaching flexibility that firms decide to select depending upon labour markets, organisations, technology use, and personnel deployment. In the model of the flexible firm (Atkinson, 1984) the different roles of internal labour market and core work forces and external labour markets and peripheral work forces was laid out. This model could be applicable for the outsourcing strategies as practiced in value chain restructuring. Although a diversity of evidence has been generated either supporting or negating the model, 'the distinctions between numerical and functional and the one between internal and external flexibility (Vickery & Wurzburg, 1996) are still common practice' (Flecker, Holtgrewe, Schönauer, Dunkel & Meil, 2008: 5).

The consequences from value chain restructuring for the workplace, mediated through changes in employment relations and working conditions, potentially take the form of fragmentation, which is diverse job contracts, forms of pay, and divided up work tasks at one company, and even within one site. Another potential consequence is segmentation. Labour market segmentation theory and debates on flexibility focus on unequal employment conditions in different segments of the labour market and on the interrelations between core and peripheral work forces. The lengthening of value chains has recently been reflected in that debate insofar as 'the emergence of a flexible service economy could be regarded at least in part as a manifestation of organisations' outsourcing strategies' (Rubery, 2006: 6). In the flexible firm model outlined by Atkinson (1984) the intention was to combine the internal labour market and the flexible secondary labour market. Outsourcing figured, together with non standard employment, as part of peripheral employment that provided numerical flexibility, while the core work force was seen as offering functional flexibility and commitment to the organisation. Segmentation through value chain restructuring leads to companies using both core workers - with secure jobs and benefits, access to internal labour markets, protected by collective bargaining agreements - alongside peripheral workers with low or no job protection, and often exclusion from the negotiated labour agreements. The peripheral workers may have freelance status or temporary contracts or be part of an outsourced unit in a less regulated region or sector.

Competition through outsourcing is not only global, between developing and developed nations. Regions within Europe are also in competition with one another for attracting investment and, of course, different standards in labour protection exist within Europe. Outsourcing as a strategy has been linked with negative effects for labour. 'It is evident that this process has a clear impact on employment and working conditions: directly or indirectly, outsourcing generates great pressure to reduce labour costs and deregulate working conditions. The number of blue-collar jobs falls at the top of the pyramid and increases at the base, along with a sharp increase in unstable, poorly-paid work with little protection' (Caprile, 2000: 3). Research in the service sector also has shown how employers use the differentials regarding terms and conditions through value chain restructuring (Doellgast & Greer, 2007).

Threats of exit to cheaper production or development sites, also called regime shopping (Streeck, 1998 & 2001), is a political issue outside the range of traditional areas of collective bargaining aiming to regulate workplace conditions. In co-ordinated institutional contexts, there are often attempts by social actors to negotiate trade-offs to retain jobs; the workers taking pay cuts or reductions in working time in exchange for job security guarantees at least within a specific time frame. Institutional frameworks that achieve such agreements are often credited with being flexible or adaptable, demonstrating some institutional strength by winning security concessions from employers (Seifert & Freyssinet, 2002).

### 2.3 Industrial relations and national types

Industrial relations develop in close relationship to the national level structures in which they are embedded and which shape them as a result of the particular constituents, regulatory supports and historical context in which they were formed. As a central instrument in the regulation of work, industrial relations systems are tied to other regulation systems which are, in turn, supported by national labour and welfare laws, education and training systems, and state instruments for labour market policy. The relative immobility of labour, and the industrial relations system which represents it, has reinforced the national specificity of the systems. However, the specific form that industrial relations systems take does not only derive from the state's regulatory systems in which they are embedded, but are also shaped by the historical form that conflicts between capital and labour have taken and the political ideology that has inspired them.

Industrial relations research has focused on the divide between the core work forces, fully covered by labour regulation and collective bargaining, and the periphery, in highly-flexible and often precarious employment. The analysis of value chain restructuring and its consequences makes it possible to directly address the link between the core and the periphery. In their research on Germany, Doellgast and Greer (2007) show that employment conditions became more varied through vertical disintegration. This can create additional pressures for concessions in-house, where forms of externalisation remain a cost-cutting option for management. These findings suggest that core work forces, in spite of the stability of institutions such as sector level agreements, may still be weakened by the movement of some jobs out of the sector (*ibid.*). The coverage and participation of workers in the service sector and IT in particular tends to be lower than in traditional manufacturing sectors, which makes the threat to their jobs potentially greater. Outsourced activities and the conditions for external work forces may not only provide a benchmark against which core workers are increasingly evaluated, employers may actively seek possibilities to externalise to keep their core workers in check (Ackroyd & Procter, 1998; Rubery, 2006).

The power relations within the value chain and their impact on employment are core to the analysis from the perspective of labour market segmentation. 'Business to business contracting may act to place very strict constraints on the subcontracting organisations in terms of wage levels, work organisation and even working time arrangements. This inter-organisational contracting may reinforce divisions between segments, particularly at times of economic recession where the more powerful organisations place pressures on their suppliers' (Rubery, 2006: 10; Flecker & Meil, 2007).

Given the diversity of institutional arrangements at the national and sectoral level in Europe, there are also differences in the protections offered workers regarding employment security, regulating working time, work-life quality, *etc.* Obviously variation between countries is expected due to differences in national institutional configurations. Several typologies exist characterising industrial relations types (Crouch, 2001; Jacoby, 1995; Ebbinghaus & Manow, 2001; Esping-Andersen, 1996; Hall & Soskice, 2001). Although they differ slightly according to the criteria for assigning certain countries to particular cells, and according to the number of categories for classification, they generally identify a Nordic configuration (Sweden, Norway and Denmark) which represents solidarity and universalism, a continental block (with varying country assignment: Germany, Austria, the Netherlands, potentially France) which represents a corporatist and core sector configuration, and a liberal configuration (with the UK and Ireland, also the US if more than Europe is being considered). Other regulatory or industrial relations classifications have been identified for Southern Europe or the Mediterranean area and for Eastern Europe. The relevant actors are unions, works councils, occupational groups, worker groups or committees in more informal associations, and individual workers. The organisational strength of institutional actors, the levels and spread of representation, the coherence of institutional linkages all play a role in the co-ordinated regulation of standards and protections and the ability to set employment standards.

## 2.4 Works results and policy challenges

The WORKS results reveal a variety of different outcomes for the employment relationship and working conditions in organisations. The strategies used and the forms that value chain restructuring take vary greatly by sector. The effects on workers vary by institutional setting as well as occupation group. Thus there are no singular trends identifiable for all areas of work and employment. In general, uses of forms of flexibility, both internal and external are on the rise, intensification is evident in many work contexts and diversity in employment relationships at one employer are also on the rise.

The empirical data from the organisational and occupational case studies were collected at company and individual level. Thus the impacts of value chain restructuring on work life and quality of work were seen at the micro level informed by the meso institutional contexts in which they are found. This perspective makes it possible to see what effect European, national and regional policies are actually having at the level of practice.

## 2.5 Sector findings

### 2.5.1 Clothing

The *clothing* industry (Flecker & Holtgrewe, 2008) experienced a wave of offshoring already in the 1960s and 1970s and even sites in Eastern and Southern Europe that had been initial offshoring destinations had seen the offshoring process move further East in the 1980s and 1990s. Thus at the time of the case studies in the clothing and textile industry in WORKS in 2006-2007, much of the major restructuring had already taken place. In terms of employment effects that were apparent at the time of the case studies, there was

downsizing in most cases, but mainly using attrition and early retirement rather than actual dismissal. At the Belgian site, the employment count was stable, and in the German Eco clothing, there was a moderate increase in headcount after a former crisis period. Given this situation, the employees often experienced themselves as survivors and their work situation being intensified with no pay increases. In general the wages in the clothing sector are set by collective agreements and are not very high.

Employment tenure tended to be long-term with standard full-time contracts and a high female percentage of the work force with men often in management functions and in warehouse and technical areas. Temporary workers were used in emergency peak periods, for example for mail order work. In two sites (Germany and Portugal), new hires were given fixed-term contracts as protection for permanent employees was deemed too high in the rather insecure economic climate for the sector.

Non standard work was used for low-skilled tasks and for retail. The typical method was to outsource work to homeworkers or very small businesses which were not covered by regular collective agreements. In Italy for example, companies with fewer than fifteen employees are exempt from taxes and social security payments and also from some employment protection partly due to the difference in collective agreements covering handicraft. Retail subsidiaries also tended to have much more part-time and short-term work. More and more companies were using retail subsidiaries for their logistic functions.

At the level of work, the place on the value chain was very important for the skilling potential and the enlargement of work tasks. Subsidiaries tended to have low level tasks where the work had been simplified, a flexible allocation of workers and repetitive work was the norm. In the main sites, where design and central logistics were located, skilling and more complex tasks were found. In these environments, flexibility tended to be functional rather than numerical. In general the speeding up of work processes to meet demands of accelerated business activities and industry processes and well as intensified cost pressures led to long working hours and demands for temporal flexibility of all workers.

#### *Policy challenges in the clothing sector*

The challenges for policy under these conditions are that precarious employment relations and poor working conditions with little chance for advancement are outsourced to very small non-regulated units or to areas, regions and sectors with low levels of regulation and weak institutional structures. The central units and their employees benefit from this practice as long as jobs are not threatened. Another challenge is that employees make concessions in pay and working time in order to save their jobs in light of the extremely competitive conditions in the industry. Finally the already quite advanced hollowing out process of the sector in Europe has had an effect on the infrastructure that underlies it: for instance, a reduction in the training and skills potentials and thus the available skilled labour or the attractiveness of the profession given pay and working time conditions. This could lead to an even greater hollowing out of the sector without economic or cost motivations but leading nonetheless to further reductions in employment.

### 2.5.2 Food sector

In WORKS the companies in the food sector (Meil & Schönauer, 2008) were covered under collective agreements and most of the employees worked under permanent contracts. However the particular conditions characterising the sector, the links to harvests and seasonal peak periods, led to a wide range of flexible working time arrangements usually negotiated with the union. Another reason for changes in working time arrangements was that restructuring in the form of acquiring new plants in less developed regions such as Eastern Europe was often followed by investments in automation. Increases in machine capacity utilisation then often followed the introduction of new technologies, leading to shift work, *etc.*

In terms of employment relationships, the ongoing process of take-overs, mergers and acquisitions in the food sector played a role. Already large companies were swallowed up by competitors, creating huge international conglomerates. Certain areas, in the case of WORKS – logistics – were centralised, creating redundancies in former central units. The new units were often placed in lower wage sites of multinational, and workers formerly undertaking these logistic tasks were either made redundant, given early retirement, or transferred to other departments (in some cases requiring less skilled tasks).

For policy challenges, there are three aspects to work under conditions of value chain restructuring that are particularly salient. The first is the use of outsourcing, particularly of lower paid and unpleasant work either to regions or sectors that are less regulated. This does not have to occur across borders. In Italy, for example, there are differences between regions in the level of protection for wages and working time. Also the sector in which a company negotiates collective agreements as well as the size of the firm affects the outcomes in regulation levels. Other countries do use outsourcing across borders to reduce production costs. In Denmark, this led to the outsourcing of unskilled and unpleasant tasks to subcontracted Polish workers in Germany.

Besides outsourcing to units, another form of flexibility is the use of temporary and precarious workers. Temporary workers are often used in peak periods in the food sector. Often there are gender or ethnic dimensions to these hiring practices. In Bulgaria, unskilled Roma workers were used for simple, poorly paid tasks in peak periods for work with no opportunities for development or long-term perspective. Finally a trend that was evident in the food sector was redundancy strategies in which older workers were targeted for early retirement or dismissal, depending on the protection of the regulation systems, and then younger workers with higher qualifications were recruited. The content of work changed somewhat in response to higher levels of automation, which often followed take-overs, and also to increased use of IT. The diversity requirements in production and logistics to meet customer demands also led to some work intensification. Overall, however, work content and organisation remained relatively stable and unchanged in the course of value chain restructuring.

#### *Policy challenges in the food sector*

In most of the WORKS food sector cases, working contracts, time, and pay are all highly-regulated in nationally negotiated agreements. Yet the differences in working conditions between country and even between regions within countries varied greatly. Also it was easy in many of the institutional frameworks, even in regulated ones such as Germany, to

use temporary workers with limited working contracts and relatively poor pay. The protections that existed centred on core work forces, and created segmented labour markets and work forces. Work organisation continued to have quite traditional divisions of labour, between processing and packing lines for example, and these divisions were also quite ethnic and gendered. The food sector is a prime example of regulation functioning along traditional paths, but finding it difficult to broaden regulation and protection beyond various kinds of boundaries: gender, worker category, region, country. Therefore protections remain very non-inclusive. For those outside of core work forces, employability in the larger sense is not achieved. Value chain restructuring in the form of mergers and take-overs led to the abolition of entire departments and competition between European sites based on cost and uses of flexibility, even in skilled occupations.

### 2.5.3 IT sector

In WORKS, two business functions were covered in the IT sector (see Holtgrewe & Meil, 2008): R&D and software development or production. Both business functions are characterised by highly-skilled work forces and low levels of formalised and institutionalised interest representation. Research and development companies are usually small, with close links to universities of which they are often spin-offs. The move to the market brought with it commercialisation and more intense cost and time pressures. The organisation of work in projects makes the project schedule and results the focal point of control, evaluation, time use, *etc.* Nonetheless, working time in most cases seems to revolve around regular 38-40 hour weeks. Overtime is compensated in free time. Workers in any case have considerable discretion in their use of time as long as project contingencies are met. The exceptions to more regulated working times are the units with close academic or university ties that still have research oriented environments. Here overtime was not generally compensated in free time or pay. Working contracts for senior employees were permanent and full-time and most employees reported long-term perspectives in the companies, although in fact there was little career mobility in the mainly small and hierarchically flat units. The links to universities often led to a career path in which students began with freelance or part-time contracts in the units and then upon completion of studies, first through a series of fixed-term contracts or increased working hours, were eventually given standard full-time employment contracts.

Value chain restructuring did not tend to change the work content or organisation except in an increased commercialisation when the restructuring involved a stronger customer orientation. The highly-specialised technical tasks created a certain division of labour based on expertise, but not in the sense of being simple or repetitive.

In software development, there are similarities to the employment relations and working conditions in R&D. However, these units tend to be much larger and be involved in more elaborate value chains. The employment relationship in the main companies tends to be regular full-time permanent contracts with benefits based on 40-hour work weeks. As in the food sector, however, there is a tendency among the larger companies in IT software development to outsource both within and outside of country boundaries for tasks such as implementation and maintenance of their software packages. The outsourced units are smaller with employees that are either freelance or are employed with less attractive contract arrangements and pay. For the German company, the outsourced

work sometimes involved long transfer assignments for the affected employee at customer firms. In general the work that companies gave away or relocated tended to be the more well-defined, circumscribed tasks, which did lead to upgrading at the main sites.

Value chain restructuring led to work intensification. This, combined with the international needs for co-ordination, often led to flexible time schedules: not longer workhours, but irregular start and end times, or overtime compensated by free time, *etc.* In terms of work content and work organisation, like R&D, project work was most common among the developers and engineers. Most companies reported an increase in formalisation as a result of value chain restructuring. Formalisation in determining job classifications, in target setting, career development trajectories, and HR practices in general. This trend was apparent across a diverse range of cases and institutional contexts. Another trend in some cases was a standardisation of communication and work practices, deriving from the need to co-ordinate activity across the sites along the chain. This also led to increased specialisation of tasks and team activities. Thus in some cases (Germany, Hungary and Sweden) there was a decrease in functional flexibility but an increase in temporal flexibility. Bulgaria's company represented a countertrend in this regard, since there specialisation decreased and the tasks got broader. The Bulgarian case differed from the others in its small size and in its tenure: it was a young, new company. Finally another clear trend across a number of cases was the youth of the work force. The average age was generally under forty or even younger. In Sweden this was a specific result of the redundancy policy which was based on qualification, not on seniority. On the whole, adding new units in a value chain or being taken over by a foreign company probably changes the previous character of small innovative companies in the software sector in which employees carried out a variety of tasks, had easy access to their colleagues down the hall, perceived their work as creative, *etc.* However, one cannot say that restructuring necessarily made the work less interesting or more precarious. Most employees in the software development case studies in WORKS were not worried about losing their jobs (except in the Swedish case) although overall competition between sites had indeed increased.

#### *Policy challenges in the IT sector*

The challenges for policy in the IT sector are at various levels. In terms of labour law, the challenge is to protect workers' jobs and their work-life balance without making regulation too rigid. Employees in these sectors are used to a lot of discretion both in their use of time and the way they carry out their work. Therefore they often support flexibility in their companies, without it meaning working without compensation or not being able to balance family obligations with employment. Another challenge for policy at the level of labour law is to protect jobs and job content in ways other than simply trying to block or prevent offshoring initiatives. Finally, forms of outsourcing in the IT sector promote labour market segmentation where there is little possibility for employees to move between markets. Legislation across Europe still leads to a situation for parts of the work force which have not been able to enter core firms in which they have lower levels of pay, poorer working conditions, and less job security. The other aspect of policy challenges involves the low levels of organised interest representation in the IT sector. Certainly the favourable bargaining position of these knowledge workers due to their high levels of qualification and expertise in specialised fields makes it easier for them to engage in indi-

vidualised forms of negotiation with their employers. However, increasing competition between sites, longer and more elaborated value chains, ongoing offshoring, segmented or fragmented contract conditions across companies, are all issues that could affect the employment security and working conditions of employees in this sector. Institutional actors of interest representation should have a larger role in regulation of these issues, but only if they can reorient their activities and topics to meet the interests of such employees.

#### 2.5.4 Customer service in the public and private sector

In the *customer service* (see Dunkel & Schönauer, 2008) business function of the public sector (and the post and railways), one major trend in the WORKS case studies was the privatisation of services. For employment, this led to both employment increases in some cases and in three of cases (Bulgaria, Germany and Austria) to severe staff reductions in the privatised companies. Given that the redundancies occurred for public sector employees, who have relatively high levels of protection, particularly in corporatist institutional structures such as Germany and Austria, the reductions were mostly achieved through early retirement packages or other voluntary settlement arrangements.

As in other sectors and business functions, value chain restructuring in customer services led to the outsourcing of certain functions, mostly within the same country, to various types of subcontractors, such as call centres or small service outlets. The outsourcing effects were often gender relevant: women were often those working in the subcontracted units with lower pay, flexible working hours and work pressure. The use of call centres created employment in several of the cases. However, the quality of work and levels of qualification were usually lower in the call centres as compared to other parts of the public sector administration. Call centres were often seen as transitional workplaces. Students were recruited in Sweden, for example, attractive for their temporal flexibility and the orientation to temporary employment. However, in fact in many other cases, the work was in fact not transitional, but a regular workplace for employees seeking employment or displaced workers, and therefore the lack of development and the precarious nature of the jobs were problematic. Another effect of outsourcing and subcontracting was extremely strong outcomes of fragmentation. Status, wages, intensity, and involuntary working time flexibility, were all types of fragmentation that became apparent in comparison to the employment conditions of the highly-protected public sector employees. At times the different employment types occurred at the same workplace, as public sector employees retained their original contracts and new recruits were hired under the, usually less favourable, conditions of the private sector contractor. Thus the newly recruited and transferred staff worked side by side with different employment relationships. Sometimes there was a clear separation of functions and staff and in some cases even of labour markets, where mobility between units was impossible in the same organisation. The forms that employee transfer took under conditions of privatisation varied by case: secondment, temporary transfer, or complete transfer to the new company. The European legal framework of TUPE regulations worked to give employees in institutionally weak contexts such as the UK some initial protection in the transfer process. They could initially keep their contracts, wage levels and benefits from the public sector. The future of work in the privatisation process in the long-term was, however, open and would most likely vary by the institutional contexts and therefore protections that were available to employees. Another

issue in this regard was the extent to which the more precarious working conditions of the periphery would creep into the core work units. In some cases (Greece in particular), there was an insecurity among core public sector workers leading to the feeling that they have to accept concessions in order to retain their jobs.

In terms of working conditions, the privatisation of customer services often was preceded or accompanied by a standardisation of tasks and then an intensification of work, particularly in units such as call centres. A type of functional flexibility was seen for frontline workers who were increasingly required to fulfil a broad range of tasks and be interchangeable. At the same time there may be a simultaneous standardisation in the services delivered, sometimes specialisation of units, and increased forms of technical control to monitor performance. In public administrations, the standard working day from nine to five remained the norm, making the difference to the outsourced units with widely variable working hours ever greater.

#### *Policy challenges in customer services*

The policy challenges for customer services in the public sector and in post and railways revolve around the problem of fragmentation of employment relationships. Once jobs leave the public sector to be awarded to private contractors, the regulatory coverage changes in every institutional context. The Nordic countries demonstrated the least difference in employment relationship between the two sectors overall. Although the outsourcing or restructuring to private units can create employment, the employment itself is often not very attractive. New directions in providing protection to call centre workers can alleviate some of these problems. However, the increasing cost pressures of government administrations, as well as increasing demands for time flexibility for providing certain services, leads public administrations to seek cheap alternatives with poorer regulatory coverage. The consequence is again segmentation or dichotomies of employment paths.

#### **2.5.5 IT service provision in the public sector**

The business function IT service provision in the public sector (Flecker, 2008) displays many similarities to customer services because in every case except one (Norway), the IT services were provided by private companies. The introduction of the private IT provider usually entailed a take-over of personnel by the companies, in three cases by a transfer of the public sector employees to a new employer. Other possibilities were to outsource the tasks to the private company, thereby removing this function from former public employees, or having the IT private service personnel come to work at the public administration until a task was completed or in the framework of an ongoing service contract.

The use of private providers has a variety of different effects on the employment relationship and working conditions. Centralisation of what were previously dispersed tasks can lead to a harmonisation of conditions for IT workers who had worked in different organisations. This was the case in the Norwegian case of the health sector and in the Dutch case of municipal workers. Of course, when private sector IT workers come into the public administration to carry out tasks on a contract, or when public sector employees are transferred to private sector employers initially with the terms and conditions of their

previous public sector employment contracts, then fragmentation of employment is the result. Here the work of the private sector employees is not necessarily less qualified or downgraded as is often the case in customer services. The differences lie in areas of job security, and demands for working time flexibility, and requirements for mobility. When public sector employees carry out the work as designated by private sector IT providers, the outcomes for work can involve a standardisation and fixed procedures for the same work they carried out with autonomy and discretion previously. Particularly as a result of service level agreements, in the UK case, work sheets had to be accurate to the minute.

Finally, in several cases the use of private sector IT providers had a gender dimension which was usually unfavourable to women. In the Dutch case, although work tasks were broadened and skill was upgraded, the employment framework was also redefined to requiring full-time work, which made it difficult for women to reconcile care duties with working demands. In the Belgian case, the private sector provider proclaimed that the work required 'total involvement' and lots of overtime and was therefore not suitable for women. In general, even in highly-regulated institutional contexts such as Sweden, the move to private sector provision brought with it pressures for flexibility which were a challenge for women with families. In the UK weaker implementation of equal opportunities were reported in the private sector. In most institutional contexts, the public sector tends to follow gender and non-discrimination guidelines as set down by the EU more closely. Open discrimination as practiced in the Belgian case might be rare, but making working conditions less favourable to women was more common.

#### *Policy challenges in IT service provision*

The challenges for policy in IT service provision to the public sector are once again the problem of fragmentation of employment relationships when public or former public employees work next to private sector employees with less secure contracts. Another issue for policy is what happens to employees after initial protections for transfer are over or new contracts are negotiated between the providers and the public sector. When interest representatives are involved, it is not always unclear who is responsible for negotiating the transfer of workers - the public sector organisations? The private sector organisations? Both together? The apparent negative consequences for gender in cases of private sector IT provision in the public sector also has to be addressed. For company level actors, the issues of what happens to job content in terms of standardisation, loss of autonomy, *etc.* are all relevant.

## **2.6 Sector summary: strategies for meeting challenges**

In all of the business functions and sectors in which we examined employment and work conditions resulting from value chain restructuring, we found that various forms of flexibility are one of the main instruments used by companies to achieve cost saving effects and that the forms and strategies of flexibility have a major impact on the quality and content of work (Flecker *et al.*, 2009). The value chain facilitates the bypassing of employment protection by using outsourcing strategies for numerical flexibility. Outsourcing was utilised in all sectors and business functions to create units, use subcontracting, or move undesirable work outside of the central facilities. Thus flexibility strategies, particularly in

corporatist institutional settings, reinforce core-non/core distinctions. Although uses of temporal and spatial flexibility vary by sector, flexibility demands, particularly in terms of time use, are unevenly distributed along the value chain, creating unequal working conditions between units and sites.

The use of flexibility strategies makes appropriate policy choices at the EU level difficult. What is good for one site and country can be detrimental for another. Improving flexibility in rigid contexts can be positive, but imposing involuntary flexibility on workers can be negative. Flexibility and outsourcing strategies in general can be a job creator for new EU countries whose economies are less developed than the large industrial economies. The question is whether these openings are an opportunity for further development for both the economy and the workers, or rather a dead-end leading to bad jobs and working conditions.

Another finding relevant to policy from the case studies was the increasing fragmentation of employment relations. This outcome was most often seen in the public sector when various forms of services such as customer services or IT support were privatised. Fragmentation leads to diverse work contracts for the same work and sometimes at the same workplace. It also leads to an increase in non-standard contracts, as private sector workers in outsourced units are given temporary, part-time jobs in contrast to the regular, well-protected contract arrangements among public sector workers. Although it is the private workers who are at a disadvantage, the distribution of work across sites can lead to increased competition on the core work force thereby putting core workers increasingly under pressure.

In the production related sectors such as clothing and food as well as software production, using cost motivated forms of flexibility are more prevalent than fragmentation. Thus what we see is a division of labour in which unskilled simpler and often more unattractive tasks are outsourced to cheaper sites or given to seasonal, temporary workers. Of course the hollowing out of production can eventually put increasing pressure on the focal site in which more and more gets outsourced, employment is reduced, and the looming threat of relocation weakens worker negotiation power.

It has been demonstrated that value chain restructuring changes the content of work in several cases. This is a level of policy involvement that is very difficult to regulate. When, for example, formalisation or standardisation of work accompanies or is a consequence of value chain restructuring, the skill levels of the work can be downgraded or former levels of autonomy can decrease. The job content can then change dramatically. However, particularly in times of restructuring in a company, it is difficult to address negative changes in content of work in any policy or regulation context since the main concern is retaining employment at all costs. Other changes in work content, such as increased demands for mobility or availability of the employee, are easier to regulate in existing negotiated frameworks in cases in which there is union or works council representation. When no interest representation exists, potential to regulate these types of changes in work content is basically non-existent.

## 2.7 Challenges for the industrial relations actors and EU policy

The vagueness and lack of sanctions for not adhering to EU guidelines makes the regulation of employment and work under value chain restructuring very difficult. This diffi-

culty is even greater in national contexts and sectors in which institutionalised interest representation is weak. Another large problem for policy regarding the effects of value chain restructuring is that the consequences occur at a level and in areas that are difficult to regulate. This is particularly the case when changes in conditions of work involve a change in job content, functional rather than numerical flexibility, differential effects on different occupational groups, *etc.*

As work and employment are more and more affected by the value chain restructuring of company processes, the boundaries of space and time in which work takes place get increasingly blurred. This makes the boundaries for policy formulation more and more diffuse, in part because the contexts in which occupation, sector and national framework emerge are in flux. Value chain restructuring leads to a situation in which policy occurs at a crossroads between existing contexts and legacies in which regulation normally has taken place. This means that all of the aspects that have developed out of these contexts and legacies – the expectations, discourses, norms, and structures – are no longer applicable.

Particularly for traditional actors of employment regulation, such as unions and works councils, these multilevel and boundary crossing effects on work and employment are a major challenge. Organised industrial relations actors negotiate mainly on ‘consolidated’ issues of employment and work regulation, such as time, contract, wage, security, job description or classification, safety. These issues emerged in Tayloristic-Fordistic production regimes in which interactions between social partners and systems of employment regulation became institutionalised (Düll & Bechtle, 1988; Meil, Heidling & Schmierl, 2003). They are the issues in which industrial relations actors have accumulated the greatest expertise in bargaining. In the contemporary global economy, however, with trans-sectoral and transnational strategies across value chains, negotiated issues move into more ‘precarious’ areas. Issues regarding working time do not stop at regulating daily or weekly working hours. Regulation now covers a whole range of flexible arrangements such as variable working time accounts across a week, month, year or lifetime. The flexibility of contract types has exploded with diversity of working status within the same working site. One challenge for policymakers in terms of employment regulation is a determination of whether flexibility in terms of both time and contract is voluntary or involuntary for the workers involved. Other moves from ‘consolidated’ areas of bargaining are typical types of job security and protection towards concepts of flexicurity and employability. This means that protecting a particular job at all costs may not be in the best interest of the worker. But how can the correct balance between security and flexibility be determined? And how much security should be sacrificed for the sake of flexibility? Another area of consolidated bargaining in Tayloristic-Fordistic contexts was setting job descriptions and classification to protect wages and job security. In new working environments, rigid delineations are no longer applicable, and not only highly-skilled, knowledge-intensive workers are seeking empowerment and autonomy in carrying out their jobs. Finally, traditional areas of bargaining on safety and physical health mainly defined for physically demanding manufacturing work situations are less applicable for the intensified, high-pressure jobs found in the WORKS cases in a number of sectors. Here stress and a lack of work-life balance are the main issues, both of which are difficult to regulate in clear, measurable terms. The ability to formulate policy is much more difficult for so-called precarious issues.

The various responses by workplace representatives to restructuring in the diverse sectors and business functions examined in WORKS can be differentiated into four dimensions (Meil *et al.*, 2009):

- the restructuring itself – its process and form;
- the issues that arise at the workplace as a result of restructuring:
  - terms and conditions of employment such as redundancy, time use, wages;
  - skilling;
  - work organisation;
- the issues beyond the workplace:
  - effects at outsourced/offshored sites;
  - international networking across the value chain;
- issues relevant for individual workers – the impact of restructuring at the individual worker level.

Institutionalised workplace representation concentrates on the first two dimensions. Organisations with high levels of institutionalisation can intervene in the process and form, but mostly after the fact. Terms and conditions of employment are often dealt with at the level of national or regional union representation when it exists; work organisation and skilling can be dealt with by company level representation when it exists. Issues beyond the workplace were not addressed at all in our cases. In fact, there was a marked absence in a role for European works councils (EWCs) even in cases involving multinational corporations with sites across Europe. Issues dealing with the interests of individual workers at a non-collective level rarely appear to be the province of institutionalised workplace representatives. Of course, works councils specifically represent the interests of individual workers in relation to the company management. However, in terms of restructuring, the individual level was not the domain of workplace representatives. In WORKS, this dimension of response occurs in small companies as well as those with paternalistic company styles or among highly-qualified knowledge workers such as in the IT R&D sector.

We can then differentiate between the following types of response:

- prevention/resistance;
- socially responsible change;
- protection – formal rules and core workers;
- no response.

Basically there were no cases of actual *prevention of restructuring*. Restructuring very seldom involves the legally-based structures of works councils or occupational health and safety (OHS) committees – both legally anchored in EU Directives and national legislation. The normal situation is information on the decision, not consultation before the decision. Some examples of information and consultation of the restructuring process exist, but the role of workplace representation is almost never proactive, but reactive: it does not deal with the process of restructuring, but rather its aftermath.

In dealing with consequences, there are generally two types of response and these do tend to differ by industrial relations type or country regime. The first, *socially responsible change*, ensures that redundant workers receive high levels of compensation and retraining or that retained workers keep or improve their terms and conditions of employment and work content. It is characteristic of the Scandinavian cases. This is linked to the over-

all union strategies in the Nordic context which are proactive and co-operative. Isolated examples of this strategy can be found in various sectors in other countries, sometimes in a mix with the third response type. For instance, in the highly-regulated public sector, *socially responsible change* in combination with *protection oriented* responses can be found in a number of cases, even in so-called 'liberal' regimes such as the UK. Here pockets of resistance in sectors in which more radical outsourcing strategies are not an option for employers, lead to uncharacteristically social outcomes for unionised employees.

The second, protection-oriented response is a defensive strategy which concentrates on maintaining formal rules on wages and time and the terms and conditions for core workers, even if others working in the same environment have worse conditions. This type of strategy is characteristic for the Central European countries, in particular Belgium, and for the traditional food sector across many countries. Finally, there are many cases in which there is no response either because there is no workplace representation or because the representation is too weak. This lack of response characterises the New Member States, but also Greece and Portugal.

The evidence presented here reveals that the challenges are great for actors of policy formation and regulation at all levels: determining which areas should be regulated, the institutional levels at which policy should take place, the role of Europe in setting standards that reflect its diversity, but not setting standards so low that they lose any effectiveness. To meet policy needs a multilevel governance is needed, better monitoring and enforcement of existing legislation and directives, the formulation of more measurable directives such as that requiring information and consultation on restructuring, a better balance between generality to meet the needs of different institutional contexts and specificity for more accountability.

## 3 Equal opportunities in value chain restructuring: policies and practices

MARIA STRATIGAKI

### 3.1 Introduction

Policies and practices for *equal opportunities between women and men* at the workplace were launched in the European Union in the 1970s in the context of an increased participation of women in the labour market and the need for enlarging the economically active population. The Treaty of Rome's (1957) provision on *equal pay* for women and men (Article 119) was activated in the 1970s and 1980s in the form of equality directives. Subsequently, all action programmes and further Community action were committed to guarantee equal opportunities between women and men in access to jobs and occupations, promotion in the professional hierarchy and in vocational training. A complementary policy objective 'reconciliation of working and family responsibilities' was added in order to facilitate equality in working life. In the 1980s this objective became a primary goal of the overall labour market policy as it combined both equal opportunities and flexibilisation targets of EU policies.

Increased access of women in the labour market became gradually a policy priority of the European Strategy for Employment (since 1997, now developed into the Lisbon Strategy for growth and jobs) and of the European Strategy for Social Protection and Social Inclusion (since 2006) as being compatible with both economic and social objectives for the EU. Equal opportunities between women and men increase the work force and thus economic efficiency, by making optimum use of people's talents and human resources, whereas they promote the overall status of welfare, social justice and human rights in accordance with the European social model.

The Treaty of Amsterdam (1997) (Article 13) has extended the EU competences in combating discrimination in the labour market beyond sex by including discrimination on the ground of race or ethnic origin, religious and political beliefs, disability, age and sexual orientation. Consequently a 'new' policy objective was created: *Equal opportunities for all* encompassing all grounds of discrimination. Article 13 produced significant anti-discrimination European legislation in the 2000s, as well as, action programmes and European campaigns aiming at 'equality for all'. Gradually, EU anti-discrimination policies tend to 'absorb' gender specific equality policies and women tend to be 'added' to migrants, disabled, and homosexuals; all considered to be a large social group facing obstacles in access and opportunities in the labour market (Stratigaki, 2008).

Today, EU policies for equal opportunities can be placed into two large categories of legislation, measures and incentives: those referring to *work-life balance* and those referring to *anti-discrimination*. These two different frames diversify the rationale, the target groups and the scope of application of EU policies, and consequently of national policies endorses-

ing them. Both set of policies can be implemented at European, national and business level. At European level, they take the form of either directives that have to be transposed in national legislation, or incentives for funding and criteria for monitoring of national policies for Employment and Social Inclusion. At the national level, except legislation, policies include tax and marketing incentives for the private sector as well as internal regulations in the public sector. At the company and administration level, policies take the form of *equality plans and diversity management* with targets and positive measures for women and (more rarely) men as well as migrants and the disabled who are underrepresented in jobs and levels of hierarchy (horizontal and vertical segregation).

The aim of this chapter is to summarise policies and practices for equal opportunities in the workplace, in particular those interacting with changes produced by value chain restructuring that was extensively analysed by the WORKS research project. This chapter is based on the conclusions of the two thematic reports which are relevant to gendered use of time and gender and ethnic power relations in the workplace (Dahlmann, Huws & Stratigaki, 2009; Krings, Nierling, Pedaci & Piersanti, 2009), and on the synthesis report on changing occupations (Valenduc, Vendramin, Krings & Nierling, 2008). These results are examined in the light of EU policies promoting work-life balance for workers and combating discrimination on all grounds at the workplace in view of formulating policy relevant recommendations. More specifically:

*Part 3.2* presents the main elements of two distinctive but interlinked areas of EU policies, namely those aiming at: (a) *gender equality* in the labour market including equal pay, equal treatment and work-life balance and (b) *anti-discrimination* on the basis of other grounds (ethnic and racial origin, sexual orientation, disability and age). Legislation, action programmes and monitoring of national policies are the main tools of EU policy-making in these fields.

*Part 3.3* refers to complementarity policies to be implemented at the business level: *equality plans and diversity management*. These policies reflect the willingness of individual enterprises to adopt (binding or not binding) plans and management tools facilitating both gender equality and to combat against discrimination on all grounds. The plans encompass measures for both work-life balance and anti-discrimination, thus emphasising the close interrelation between these two policy objectives at the workplace.

*Part 3.4* presents the basic conclusions of the WORKS project *regarding work-life balance* and discusses the efficiency of EU policies. It highlights aspects limiting the implementation of policy and bypassing specific categories of workers. It includes some policy recommendations for different institutional levels and policy actors.

*Part 3.5* presents the basis conclusions of the WORKS project regarding discriminatory practices based on power relations between sexes and ethnic groups and discusses the relevance of EU policies in this field. It highlights aspects of barriers to reduce different types of job segregation and achieving more mixed sectors, jobs and occupations. Finally it draws some policy recommendations for different policy actors and institutions.

## 3.2 EU policies for gender equality and anti-discrimination in the workplace

### 3.2.1 EU Policies on gender equality

The Treaty currently in force (March 2009) situates the promotion of gender equality and the combating of discrimination among its policy priorities. More specifically, Article 2 of the Treaty sets the promotion of equality between men and women as a task of the Community, while Article 3.2 provides that in its activities ‘the Community shall aim to eliminate inequalities and to *promote equality, between men and women*’. Article 13 authorises the Community to take appropriate action to combat *discrimination* based on grounds of *sex, racial or ethnic origin, disability, age, and sexual orientation*. Article 141 provides that (a) each member state shall ensure that the principle of *equal pay* for male and female workers for equal work or work of equal value is applied and (b) pay means the ordinary basic or minimum wage or salary and any other consideration, whether in cash or in kind, which the worker receives directly or indirectly, in respect of his employment, from his employer. Article 141 provides also that ‘the principle of equal treatment shall not prevent member states from maintaining or adopting measures providing for specific advantages in order to make it easier for the underrepresented sex to pursue a vocational activity or to prevent or compensate for disadvantages in professional careers’, thus permitting in practice *positive action*.

A significant number of EU directives were adopted since 1975 covering issues of equal pay and equal treatment in the labour market and social security. All of them were recently ‘recasted’ in only one directive that replaces all previous ones as of 15 August 2009. The *Recast Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation* improves procedures in order to make the application of this principle more effective. A definition is given for each of the following terms: discrimination (direct and indirect); harassment; sexual harassment; pay; and occupational social security schemes. Its specific provisions cover the following three principles: (a) equal pay; (b) equal treatment in occupational social security schemes; and (c) equal treatment in access to employment, vocational training and promotion, and in working conditions. Regarding the principle of *equal pay*, equal or equivalent work must be paid the same and a job classification system used for determining pay must be based on the same criteria for both men and women and drawn up so as to exclude any discrimination on grounds of sex. Regarding the principle of *equal treatment in occupational social security schemes*, apart from prohibiting all discrimination in this area, the directive announces rules for implementation and lists examples of discrimination. Regarding the principle of *equal treatment for men and women as regards access to employment, vocational training and promotion and working conditions* the directive includes provisions on the extent to which deviations from the principle of equal treatment are permitted in the case of a job that by its very nature requires a person of a specific sex. The directive reiterates the principle in Article 141(4) EC, which permits positive action in favour of the unrepresented sex.

The directive reinforces the protection of mothers on maternity leave, fathers on paternity leave and parents on adoption leave. It also encourages improvements in the safety

and health at work of pregnant workers and workers who have recently given birth or are breastfeeding. In its horizontal provisions the directive ensures protection for the victims of discrimination, even after the end of the employment relationship and requires member states to introduce all necessary measures to ensure real and effective *compensation or reparation* for any damage resulting from discrimination on the grounds of sex. It does not lay down an upper limit for such compensation or reparation. The directive enforces the principle of equal treatment by extending the rules on the *burden of proof* to occupational social security schemes. The burden of proof will be on the respondent, who will have to prove that there has been no breach of the principle of equal treatment. Finally, the directive requires that the member states designate bodies for the promotion, analysis and monitoring of equal treatment, follow-up of Community legislation and provision of support to victims of discrimination and reinforces the role of the social partners and NGOs in promoting the principle of equal treatment.

An explicit connection between gender equality in work and family responsibilities appeared in 1982 (first medium-term community programme on equal opportunities for women - 1982-1985). EU support for childcare was first formally stated in the 1992 Council recommendation on childcare (92/241/EEC). Since then, 'reconciliation of work and family responsibilities' makes up an integral part of equal opportunities policies and, from 1993 onwards, of employment policies that integrated this concept as a major tool for enhancing flexible forms of work.<sup>1</sup> In fact, the Lisbon Strategy for growth and employment established in 2000 confirmed the importance of reconciliation objectives and in 2005 the revised Strategy stressed even more the contribution of such measures in attracting more women in the labour market. In this policy context, specific targets were set for all EU member states for both women's employment rate (60 *per cent*) and for childcare facilities (childcare by 2010 for at least 90 *per cent* of children between three years old at school age and at least 33 *per cent* of children under three years old) (Barcelona European Council 15-16/03/2002). In addition, the current gender equality policy expressed in the Road Map for Equality between Women and Men 2006-2010 (COM (2006) 92, 01/03/2006) comprises (as one of the six policy priorities) the reconciliation of work, private and family life. EU policies facilitating work-life balance for women and men (although they are implicitly addressed primarily to women) include some legislation on leaves and policy incentives for childcare facilities.

There are three EU directives which directly or indirectly affect working time and childcare:

1. *Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding.* The directive provides for a minimum leave period of fourteen weeks and for a minimum payment during this leave at the level of sick pay. The directive is currently under revision. The proposal by the Commission aims at strengthening women's legal entitlement to family-related leave, namely maternity leave. The proposal includes the introduction of: (a) an extension of the duration of maternity leave from fourteen to eighteen weeks as recommended by the ILO since 2000, (b) the principle of full pay during it (with a possibility for member states to introduce a ceiling that must not be below sickness pay), (c) the right for

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<sup>1</sup> For extensive analysis of this shift see Stratigaki (2004).

- mothers to ask for flexible work arrangements, (d) mother's decision when to take their maternity leave, before or after giving birth and (e) the prohibition of the preparation of dismissal even *during* the maternity leave (not only *after* the mother's return);
2. *Council Directive 96/34/EC of 3 June 1996 on the framework agreement on parental leave concluded by UNICE, CEEP and the ETUC.* The directive is expected to be revised by introducing further family related leaves. The revision is (for the moment) at a consultation phase of European social partners who are negotiating its provisions;
  3. *Council Directive 97/81/EC of 15 December 1997 concerning the Framework Agreement on part-time working concluded by UNICE, CEEP and the ETUC.* The purpose of the directive is to eliminate discrimination against part-time workers and to improve the quality of part-time work. It also aims to facilitate the development of part-time work on a voluntary basis and to contribute to the flexible organisation of working time in a manner which takes into account the needs of employers and workers. With respect to employment conditions, part-time workers may not be treated in a less favourable manner than comparable full-time workers, solely because they work part-time, unless different treatment is justified on objective grounds. A worker's refusal to transfer from full-time to part-time work or *vice versa* should not in itself constitute a valid reason for dismissal.

Regarding policy incentives, the European social fund actively supports the development of childcare facilities in view of enhancing women's employment since its first programming period 1989-1994. In particular in the framework of the innovative Community Initiative NOW (New Opportunities for Women), large numbers of childcare infrastructures were funded in member states benefiting from the EU structural policy. Subsequent ESF Regulations included eligibility for childcare provisions aiming at increasing women's employment. In 2008, following low progress in this field as stated in employment, social protection and social inclusion EU policies (see respective Joint Reports in 2008), the European Commission has decided to reinforce reconciliation policies. It proposed a *work-life balance package* (COM (2008) 635, 03/10/2008) consisting of four main parts: a policy document (communication) explaining the background and context, the revision of the two directives (for pregnant women and parental leave) and a report on progress made by EU countries towards the so-called 'Barcelona targets' for childcare provision. The policy document stressed the importance of both family related leave and childcare infrastructure. Regarding progress in childcare facilities for pre-school-age children, the Commission recognised that most member states will fail to reach the targets set for 2010 particularly for the under-3s (COM (2008) 638, 03/10/2008).

Equal opportunities between women and men in the labour market are one of the major social policy areas of the EU. Since 1982 policy objectives have been supported by five consecutive Community action programmes (from 1982 to 2006) as well as by the interventions of the European social fund at the member states level. Policies enhancing women's entrepreneurship, access to the labour market, equality in job promotion, awareness raising on women's rights resulting from EU legislation, together with childcare facilities have formed a coherent corpus of EU policies for almost thirty years. In the latest EU policy document 'A Road Map' for equality between women and men 2006-2010 (COM (2006) 01/03/2006) the two first priority areas are closely related to gender equality in the labour market: Achieving equal economic independence for women and men and enhancing reconciliation of work, private and family life' as stated above. For the imple-

mentation of the Road Map, a wide range of activities is being launched. More consistent structural contributions to gender equality were provided by the European social fund that has systematically included gender mainstreaming in their interventions in particular during its third programming period 2000-2006. In the current period (2007-2013), gender equality in the labour market remains an objective focussing primarily on reducing job segregation and the pay gap (Stratigaki, 2008).

### 3.2.2 EU anti-discrimination policies

Following the anti-discriminatory provisions of Article 13 of the Treaty, two major directives were adopted in 2000. The Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin and the Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation covering racial and ethnic origin, disability, religion or belief, sexual orientation and age. The principle of equal treatment covers both direct and indirect discrimination. The directives apply both to the public and the private sector and cover the following areas:

- conditions for access to employment, to self-employment and to occupation, including selection criteria and recruitment conditions, whatever the branch of activity and at all levels of the professional hierarchy, including promotion;
- access to all types and to all levels of vocational guidance, vocational training, advanced vocational training and retraining, including practical work experience;
- employment and working conditions, including dismissals and pay;
- membership of and involvement in an organisation of workers or employers, or any organisation whose members carry on a particular profession, including the benefits provided for by such organisations;
- social protection, including social security and health care; social advantages; education and access to and supply of goods and services which are available to the public, including housing.

It is to be noted that neither directive covers differences of treatment based on nationality and is without prejudice to provisions relating to the entry into, and residence in, member states of third-country nationals and stateless persons. The directives do not apply to payments made by state social security or social protection schemes. Further, member states may stipulate that the provisions relating to age and disability do not apply to the armed forces.

The implementation of these directives is supported by Community action programmes that provide incentives, exchange of good practice between member states and the collection of data for better the monitoring of national policies. The Community programme PROGRESS for employment and solidarity (2007-2013) is the current one (Decision 1672/2006, 24 October 2006). Combating discrimination and promoting diversity is one of the five policy areas covered by the programme. In addition, though the open method of co-ordination, member states are requested to co-ordinate their policies in the field of social protection and social inclusion in the framework of the European strategy in this field.

Both gender equality and anti-discrimination directives share the same definitions of the basic concept of EU legislation. The main concepts are as follows:

- *discrimination* exists when some particular characteristic is used in an attempt to restrict individuals' access to the available economic, political, employment and social opportunities for advancement. The targeted discrimination groups may vary, across locations, but in general include: women, immigrants, Roma, people with disabilities, youth, elderly, people of a particular religion or belief, gay and lesbian, bisexual, transgender and transsexual people. Discrimination is complex, multifaceted, deeply ingrained in behaviour and difficult to measure or quantify. Discrimination can arise not only through the application of different rules to comparable situations but also through the application of the same rule to different situations;
- *indirect discrimination* involves a provision, criterion or practice which is not apparently discriminatory, because it is applied equally to everybody, but which, when the effect or impact of it is assessed, is shown to be particularly disadvantageous for individuals that belong to one or more of the protected groups. Within this broad definition most employment rules, agreements and practices, whether contractual or non-contractual, written or oral, old or new, will be covered – and there are more circumstances in which claims of indirect discrimination can be brought. This concept is innovative. It allows the possibility to take action during the initial stages of a discriminatory effect, actually to challenge a provision, criterion or practice before it is even applied; and to remedy discriminatory practices or standards in an anticipatory and preventive manner;
- *harassment* is defined in the directives as unwanted conduct related to (racial or ethnic origin, religion or belief, disability, age, or sexual orientation) with the purpose or effect of violating the dignity of a person and of creating an intimidating, hostile, degrading, humiliating or offensive environment. The directives do not provide specific rules on how to determine whether the conduct is such as to violate a person's dignity or to create an intimidating, *etc.* environment. Another area left open by the directives is the responsibility of the employer for acts of harassment caused by other workers or by third parties, such as customers.

### 3.2.3 Exceptions to the principle of discrimination: genuine occupational requirements

According to the directives, the treatment is not discriminatory if, either by reason of the nature of the particular occupational activities or of the context in which they are carried out, the following conditions are fulfilled: (a) the employer has an honest and good faith belief that the occupational requirement is necessary for the fulfilment of the legitimate work-related purpose; (b) the characteristic is a determining occupational requirement. The employer should prove that possession of the characteristic or failure to possess it cannot be accommodated otherwise; and (c) the belief of the employer that the characteristic is a prerequisite for engaging in the occupation, must be in pursuit of a legitimate aim; (d) the requirement of the characteristic in order to offer the particular job is proportionate to the aim pursued. Therefore, if there is another way by which the aim could be achieved, the difference in treatment will not be justified by the alleged occupational requirement. A genuine occupational requirement exists when the essential nature of the job, or the particular duties attached to it, may require the existence or absence of a par-

ticular characteristic. Under European law, the burden lies on the employer to justify why an exemption from the normal provisions relating to discrimination is appropriate in the particular circumstances and the judge will determine each case on an individual basis.

- *Positive action* is identified as ‘measures to increase the participation of particular groups in certain spheres of economic, political or social activity, in which those groups are regarded as underrepresented’. Positive action is distinguished from positive discrimination, in the notion that positive discrimination means hiring, retaining or advancing in employment certain people not because they possess more qualifications than other candidates, but due to the fact that they belong to a particular disadvantaged group. On the other hand, positive action encompasses measures that offer to all interested persons opportunities to compete on an equal basis; it is therefore more proactive than positive discrimination and targets to the whole rather than individuals. Both public authorities and private enterprises engage in positive action measures, usually with the co-operation of stakeholders that have specific knowledge of the situation of the disadvantaged group and the ideal strategy to be followed. Positive action is not charity; it does not exclusively benefit the minorities concerned but makes very good business sense and it tends to affect everybody’s working conditions positively.

### 3.3 Equality plans and diversity management in businesses

In addition to binding or non binding EU policies, some member states have adopted regulations and/or incentives enhancing the adoption of equality plans and diversity management as a means to enforce the law, increase their economic performance and improve their public image as an equal opportunities employer and a social responsible company. Equality plans and diversity management illustrate a commitment to social responsibility, where it is desirable to ensure equal opportunities between women and men and treat all people fairly and respectfully, acknowledging their individual value, without discrimination. This in turn enhances the workplace culture, leading to a cohesive work force with minimal conflict and subsequently becomes a business advantage.

#### 3.3.1 Equality plans

The nature and content of equality plans can be expected to vary according to how developed they are. Some plans are pure *equality statements*, affirming the equal treatment of employees regardless of matters such as gender, religion, sexuality and ethnicity, but not linked to any specific actions. Other, more developed plans might include *special actions* targeted at defined areas or limited groups of employees. Plans embedded in an employer’s *general human resources/personnel policy* are likely to be even more developed. In such cases, the equality plans concerned are applied to all employees and all sections of the organisations concerned. In some such cases, equality between men and women is made part of the company culture and equality indicators might be communicated to external ‘stakeholders’. In most countries the majority of implemented gender equality plans are the result of ‘top-down’ public policies and legislation, rather than being locally initiated and ‘embedded’.

### 3.3.2 Diversity management

The basic concept of managing diversity accepts that the work force consists of a diverse population of people. The diversity consists of visible and non-visible differences which will include factors such as age, sex, background, race, disability, personality and work style. It is founded on the premise that harnessing these differences will create a productive environment in which everyone feels valued, where their talents are being fully utilised and in which organisational (company) goals are met. The benefits of diversity at work are often described as organisational benefits and benefits arising from investing in, developing and sustaining a diverse work force. The most important ones are those related to the personnel management: attracting the best person for the job and encouraging them to achieve their full potential. *Diversity management* embraces differences between people and celebrates the multitude of perspectives that this brings. It is based upon the idea of merit, whether that is qualification or skills making people the best person for the job rather than their membership of a certain group. However it often requires a culture change within an organisation to ensure that direct and indirect discrimination does not continue to take place. Because of its focus on individuals, prejudice and discrimination can remain, covertly practiced without acknowledgment of how groups of people are disadvantaged.

According to the data of the *European Industrial Relations Observatory* of the European Foundation for the Improvement of Living and Working Conditions (2004), there is specific legislation referring to equality plans which applies to private sector businesses in six member states of the EU. However, in only two countries – *Finland and Sweden* – is there a specific obligation for private sector employers to draw up a gender equality plan as well.

*Sweden* has the most comprehensive system. According to the 1991 Equal Opportunities Act all employers (private or public sector) with ten or more employees must draw up an annual equal opportunities plan, which must contain at least three elements: (1) a list of the active equality-promotion measures which are necessary in order to comply with the Act, identifying those which are to be initiated during the coming year; (2) a survey of existing differences in pay between women and men, indicating the measures to be taken on the basis of its findings; and (3) a follow-up assessment of the success achieved in implementing the measures listed in both these areas in the preceding year's plan.

In *Finland*, the Act on equality between women and men, as amended in 1995, introduced an obligation on all employers (private or public sector), which regularly employ at least thirty workers, to include measures to further equality between women and men at the workplace in their annual personnel and training plan or action programme for 'labour protection', and draw up an equality plan at workplace level.

In *Belgium*, the royal decree (1987) provides that positive action plans may, voluntarily, be drawn up in private sector companies or at sector level (these may lead to a collective agreement or an agreement with a works council). However, companies in financial difficulties that want to obtain the special official status of a 'company under restructuring' are obliged to draw up a positive action plan. Positive action plans are to be drafted by an equal opportunities working group, based on a five-stage procedure (engagement, analysis, setting up the plan, implementing the plan, and follow-up/evaluation), taking account of the specificities of the company (or sector). Furthermore, since 1993 all private sector companies are obliged to provide an annual report on gender equality. The aim of the report is to provide a general overview of the employment conditions, working

arrangements, jobs and training of women and men respectively. The report must be presented to the works council or, where there is no council, to trade union representatives.

In France the Roudy law (1983) introduced the concept of *occupational equality plans* (a legally-specified instrument for the application of gender equality). Since then two further instruments have been developed to promote occupational gender equality and access for women to various jobs in companies – ‘*occupational gender equality contracts*’ and ‘*contracts for greater gender balance in employment*’ involving state subsidies.

*Occupational equality plans* are agreements which may be reached voluntarily by company management and trade unions. They are then submitted to the works council for approval. The plans are drafted on the basis of the obligatory annual report presenting a comparative analysis between men and women in the company in terms of recruitment, training, grading according to qualifications, and pay. They are then used as a legal instrument and a practical tool for implementing ‘catch-up’ measures in terms of women’s position within the company. The timetable for these measures spans a three- to five-year period, and the areas dealt with are recruitment, ongoing vocational training, promotion, access to responsible posts, working conditions and general employment conditions.

*Occupational gender equality contracts* enable gender equality plans to receive public funding to finance training activities, reforms of job roles and working conditions, or research projects. These contracts are signed by companies and the state. The objective is to prioritise women’s access to all the posts within the company and enable women with few qualifications to increase their skills. The financial incentives can account for up to 50 per cent of the cost of training and the other expenses related to the fulfilment of equality plans (research etc.). The state can also fund 30 per cent of total wages during relevant training.

*Contracts for greater gender balance in employment*, established in 1987, seek to allow women, on an individual basis, to take on traditionally male jobs in their firm. They are tripartite contracts signed by the state, the employer and the woman concerned. They may cover the funding of a training course, but also a complete overhaul of working conditions, equipment and facilities to increase levels of take-up of posts by women. These contracts concern only firms with fewer than 600 employees. The financial incentives are various: the state may meet up to 50 per cent of training costs and of the costs of overhauling facilities; and it may also pay 30 per cent of pay costs during relevant training. Some 1,500 contracts have been signed since 1987. This scheme is more flexible to set up than gender equality contracts and involves more companies, even though the contracts are arranged on an individual basis.

Furthermore, labour code (Art. L.432-3.1) obliges companies with at least fifty employees to present an *annual written report* on the comparative employment positions of men and women, which is to be assessed by the works council. The annual report is designed as a bargaining instrument, acting as the prerequisite for the specific negotiations on occupational gender equality which the 2001 law requires at company (and sector) level every three years.

In Italy, there is no obligation on private sector employers to draw up any kind of gender equality plans. However, the 1991 ‘positive action’ law (125/91) allows organisations to apply for total or partial funding of positive action plans. The idea is that the law’s provisions promoting substantial gender equality at the workplace imply the implementation of relevant innovations and changes in work organisation and human resource management. Financial support is thus granted to organisations in order to minimise the cost of

change. A wide range of organisations – both public and private – have access to the funding, though priority is given to positive action projects resulting from an agreement between the social partners

Finally, in *Ireland* there is a publicly funded scheme to encourage the adoption of equality plans by employers. In 2003, the equality authority (the public enforcement body charged with promoting equality and tackling discrimination) launched an ‘equality review and action plan’ scheme – a voluntary employer/employee-led initiative designed to promote equality and diversity (with a gender focus) in the workplace. An equality review is the comprehensive examination of the policies, procedures, practices and perceptions within the workplace that examines equality outcomes and the building of an organisational culture that values equality and diversity. The review provides the material for an action plan, which should define the goals and steps necessary to promote equality and better accommodate diversity in the workplace. Employers from all sectors are free to apply for funding under the scheme, though applicants must demonstrate that there is commitment at senior management level to engage actively in a review and implement an equality action plan.

### **3.4 Results of the WORKS project on work-life balance: policy implications and policy recommendations**

EU legislation and policies for gender equality and combating discrimination in the labour market, as already stated, are primarily addressed to member states. National labour market legislation has to transpose the directives into the country’s legal system. National institutions also have to follow EU policy guidelines and implement action programs according to their formal obligations prescribed in the Treaties as well as to their political commitments towards EU decision making bodies. Despite the long lasting history of the EU integration process, and various reinforcement procedures in force, the impact of EU policies is very limited in a wide range of workplaces and work environments. There is little evidence that existing large and intensive institutional and legislative framework influence the organisation of the labour market, the restructuring process, the conditions of work and the working time arrangement at the business level. The WORKS research project’s focus at the workplace produced significant empirical material on transformation in a wide range of business functions and occupations. The project results offered important knowledge on what is really happening in the field and enabled various analyses and identification of major discrepancies between policy objectives and work realities.

The two major concerns integrated in the research design of WORKS project regarding equal opportunities were: (a) *work-life balance* and (b) *gender and ethnic segregation in the workplace*. Below, there is a review of the main WORKS results in the light of EU policies in view of identifying aspects of policy inefficiency and of formulating some policy recommendations for different policy actors and levels (trade unions, public authorities, societal level *etc.*).

The WORKS thematic report ‘Working time, gender and work-life balance’ (Krings *et al.*, 2009: 35-37) highlighted the most important impact of chain restructuring on work time organisation, work-life balance and gender equality. In most sectors, business func-

tions, occupational groups, although with different emphases, intensities and interactions, the WORKS research identified the following major trends:

1. temporal restructuring is central in the ongoing organisational restructuring processes. In the new production patterns, oriented to a continuous and rapid variability, *working time is an 'adjustable variable'*: working time – broadly intended as the duration of the working relationship, as effective working hours during the day, week, *etc.*, as the disposition of such hours within the day, the week, *etc.* – must be variable, easily changeable at a very short notice. Working time, as quantity (but also quality) of the hired work force, must be synchronised to fluctuations in demand and therefore to production requirements;
2. there is an important *differentiation* of temporal regimes, of working times and how these combine with the other time spheres as well as a differentiation in the duration of the working relations. Short and very short work relations have multiplied (as have discontinuous relations consisting of several short contracts during a short period), close to the 'traditional' ones, those that last a lifetime or at least for a long portion of an individual's trajectory. *Working hours and schedules also change as they are de-standardised and 'de-synchronised'*. *Working hours differ not only in terms of length but also in terms of dislocation and variability*. Short working hours are on the rise, as are part-time jobs; but, at the same time, full-timers work longer hours as overtime or supplementary work increases. *Atypical working schedules are spreading, as working hours are concentrated during the weekends or at unusual times, namely during the evening, at nights or during holidays, etc.*;
3. growing *intensification of work*, intended not only as a lengthening of working hours, but also as a saturation of time, a speeding up of pace and rhythm, tighter deadlines, higher pressure, sometimes results in a 'colonisation' of the other spheres of the individual's life;
4. new working time arrangements tend to produce important *inequalities* (concerning the *different dimensions of working time*) among the different segments of the work force involved in a value chain. For example, the fragmentation of the production function in an industrial enterprise often produces inequalities among the workers of a source-company and the workers of its subcontractors or of its subsidiaries; or among the permanent workers and the workers with non-standard contracts. The further you move away from the centre (of the network) and from the stable positions, the more you find unfavourable situations. The working conditions of the workers of the subcontractors and of the subsidiaries – as well as those of the freelancers or of the temporary workers – are more often characterised by a stronger increase of working hours, more frequent overtime, wider variability of the different dimensions of the working time, increased workloads, more time pressure, restructuring of the traditional working week with working hours on Saturday and on Sunday, desynchronisation of times with working hours in unusual/asocial hours;
5. the changes in working time organisation affect possibilities and strategies of work-life balance as well as of career and of presence on the labour market. Here another inequality emerges: *an inequality of gender*. The intensification of work, the great variability of the working time, *etc.* transform some jobs in activities only for persons without family responsibilities, and in general without engagements in other spheres of life. The empirical material of the WORKS project shows that long working hours are a predominantly male phenomenon. On the contrary, among women, there is an

- increase of part-time and of short or very short working hours and an increase of unstable employment, of non-standard contracts. The risk is: men with an hyper-participation within the labour market and high level of marginality in the other spheres of life; women with an under-participation within the labour market, forced to the reconciliation of work and life, constrained in their time organisation, with fewer opportunities to build a gratifying career trajectory;
6. the institutional framework is crucial in limiting the negative impact of work organisation on gender equality (how certain aspects of the working and production organisation are regulated, what are the extension of regulations and possible exceptions, *etc.*) as shown by in the analysis of existing differences in connection with outsourcing, the transfer of staff, the utilisation of non-standard contracts and the social protection of workers as well as in the patterns of diffusion of the different types of working time flexibility between different groups of workers;
  7. different institutional framework produce different country models in the EU in terms of working time regulations (with consequent impact on gender inequality patterns). *Nordic countries* (and some countries in Central and Eastern Europe) reveal lower working hours, a high flexibility of working hours, but with a higher degree of worker-oriented flexibility (part-time, parental leave, long-term leave, early-retirement opportunities, *etc.*), stronger social protection, lower gender inequality. In most *Central European countries* (Germany, Austria, France, Belgium), on the contrary, there is less flexibility and a higher degree of corporate-oriented flexibility. A condition that occurs even more in *Southern Europe*, where, in addition, working hours are longer and social protection is weaker and gender inequalities (in some sectors) greater.

WORKS results demonstrate several forms of inefficiency of existing EU policies failing to have significant impact on one of the most important factors of the production of gender inequality in the working place: the organisation of working time. Some of the reasons are linked to the fact that EU policies are not appropriate for all kind of jobs and occupations and do not address all types of workers. EU policies on work-life balance are suitable for work situations with low competition between workers over employment, commitment to workers' rights, high quality in work organisation, large concentration of women in sectors and jobs. Public sector is the sector 'par excellence' for work-life balance policies.

Reconciliation (or family-friendly) policies cannot challenge the existing gender segregation of jobs and occupations in two large sections of the labour market: (a) those in which take up of leave policies are not compatible with the main ('male') characteristics of the job, and (b) those in which take up of leaves (by women) do not affect their 'female' character. In both cases policy measures for work-life balance tend to reinforce existing divisions between women's and men's occupations.

In the first group one finds those occupations that demand complete availability, time pressure, commitment of workers and individual performance. Women in these jobs have to postpone or downgrade their family obligations at least during the 'upwards' phase of their career. For example, in the creative (women's) dress designers' jobs and in the (men's) R&D intensive occupations, WORKS research showed that such policies are not needed as women do not have time and energy to decide to have children. Motherhood was reported to be an important bias in women's professional development in these occupations and any threat to creativity is perceived as a threat to the core of the occupation.

In the second group one finds those occupations that do not demand time availability in unsocial hours, but in exchange, they do not offer great job advancement opportunities. In these occupations, men and women tend to remain segregated (logistics workers, front-office, production workers, *etc.*). Working time flexibility, usually available in the lower levels of occupational hierarchies, fits with mostly women's family tasks, enforces male breadwinner patterns and consequently women do not have even the chance to break the 'glass ceiling'.

In both of the groups identified in the WORKS research, the scope of EU work-life policies (leave and flexible working time) is too restricted to be efficient and have a clear impact on individual workers even in those member states where EU legislation is appropriately transferred and its implementation is strictly monitored. The minimum standards imposed by the EU for the protection of pregnancy, motherhood and the provision of childcare are mainly addressed to women. These measures, in short-term, facilitate some women to fulfil their family role but in the long-term they leave the gendered roles in care and domestic work unchallenged. It is mostly women who take up parental leaves and flexible time arrangements, even if in principle, parental leave is equally available for fathers according to the EU principle of equality between sexes.

*Policy recommendations* that can be drawn from the WORKS results in the light of existing EU and national policies for work-life balance are as follows:

- a. a more efficient *monitoring of the implementation of legislation* - both EU Directives for parental leave, part-time work and national provisions including those for the public sector and companies. Extension of entitlement to parental leave as well as extending its length and provision of a guarantee that returning parents are able to return to their former job;
- b. public incentives for the adoption of *equality plans and diversity management* by companies of the public and private sector. These plans should include special measures for attracting men in using work-life balance facilities and available flexible working time arrangements;
- c. entitlement of a wide range of *working time* flexibility patterns (part-time, *etc.*) without penalising workers in these forms of work. EU Directives provide for *equal treatment for part-time workers* who benefit proportionally from the same pension and social security benefits and the same access to training as their colleagues working full-time;
- d. public or community provision of *childcare* of good quality and for long hours and for all parents as part of citizen's rights (covering both working parents and the unemployed). Compatibility of public kindergartens' and schools' hours with working hours is important for promoting a more equal share of childcare between mothers and fathers. In case of long and unsocial working hours parents should have alternative solutions for childcare in schools or other community centres;
- e. establishment of provision for paid *eldercare leave* on analogous basis to parental leave. Given the ageing of the population and the reduction of social public expenditure this issue (currently not envisaged by either EU or most national welfare systems) will gain importance in the future, especially in those member states with family based care;
- f. *collective agreements* must aim to improve work-life balance, for instance by the provision of flexible working hours, remuneration for generous maternity, paternity or parental leave, the reduction of working time, job sharing *etc.* Employer-provided childcare provision and special agreements allowing the adaptation of individual working hours to school timetables and other such agreements must be encouraged;

- g. at the societal level, awareness raising *campaigns* promoting a more equal gender division of care and domestic tasks in families, the use of parental leave by fathers and a lifestyle that allows them to 'opt' for a lifestyle that allows them to prioritise family, cultural or social values over economic achievement;
- h. in the education system, special attention should be paid to reducing the impact on the reproduction of *gender stereotypes* regarding the family, domestic tasks and the organisation of care provision including eldercare and the care for the disabled. Work-life balance should become gradually a 'neutral' objective of both women and men and should not be presented explicitly or implicitly as a female concern.

### 3.5 Results of WORKS project on gender and ethnic segregation in the workplace: policy implications and policy recommendations

The WORKS thematic report 'Changing patterns of segregation and power relations in the workplace' (Dahmann, Huws & Stratigaki, 2009: 83-88) highlights changes in patterns of segregation in the workplace based on different sex and ethnic origin of workers. It shows that in the dual process of destruction and creation of skills and jobs that accompanies restructuring, there are both winners and losers and, whilst some positions become more precarious, or disappear altogether, others are created with attractive prospects. In the report, the main trends were analysed by distinguishing the impact of value chain restructuring on three different groups of workers separately, namely: (a) the high-skilled knowledge workers, (b) the workers in service occupations, and (c) the production workers. The main specific conclusions for each of these groups are as follows:

*High-skilled knowledge workers* are identified as 'winners' in the development of a global knowledge economy. Some of the changes taking place in these fields have indeed served to open up new opportunities for women, making it easier for them to enter these fields. In particular, the increasingly customer-driven nature of knowledge-based occupations has increased the need for language and communications skills, whilst the development of new fields of research which require a combination of technical skill with other bodies of knowledge or expertise has also served to broaden the skill requirements beyond the traditional 'techie' profiles so often stereotyped as masculine. Work cultures are changing in knowledge-based creative occupations, with more and more individual commitment towards work and a greater demand for the non-technical skills often typed as 'feminine'. In principle, this demand for new tasks, qualifications and skills empowers employees to gain substantial independence from traditional gender roles. The commitment towards the job changes the attitude of women towards discrimination. Through empowerment of women, inequality seems to diminish and becomes less explicit and women appear to have more autonomy in designing their individual careers. However, in order to survive in such an environment, both women and men have, for all intents and purposes, to behave like 'supermen': they have to conform to a traditionally masculine lifestyle model in which the demands of work take supremacy over all other aspects of life - familial or social.

*Service occupations* can be regarded as having evolved historically precisely in order to meet the needs of a society in which part-time 'flexible' employment in services has, at least since the 1960s in Western Europe, provided the opportunity for large numbers of women to earn an income whilst also taking responsibility for the maintenance and

reproduction of the work force and the care of those excluded from it. The impact of restructuring on these occupations has, in many cases, resulted in an erosion of the collective agreements which have made them relatively attractive and secure, if not especially well-paid, options in the past. As the work becomes more spatially dispersed and, in many cases, is outsourced to private sector employers, it typically becomes more precarious and some of the 'flexible' accommodations between work and private life that were negotiated in the past are lost. There is some evidence that the service work force is fragmenting, with new forms of polarisation developing between new groups of (relatively) protected 'insiders' and new groups of 'outsiders'. Some of the new peripheral work force are drawn from segments of the population that were historically not included in secure collective agreements, a diverse group including students, single parents and immigrants. However their inclusion in the least secure of the jobs in this sector does not necessarily equate with genuine equality of opportunity.

*In the production occupations* the most extreme examples of a 'traditional' housewife-breadwinner social division of labour outside the workplace was found, but also the most extreme examples of gender and ethnic segregation within it. It is clear that restructuring has had a major impact on skills, job quality and working conditions. Restructuring seems to have, in general, created new polarisations within the work force, improving some jobs whilst rendering many others more standardised and precarious, and, in some cases, exporting them altogether from Europe to other parts of the globe where wages are lower. With some notable exceptions, in this reorganisation, women, and especially women from ethnic minority backgrounds, seem to have ended up in the most precarious and least protected positions, and these positions seem, in general, to be those nearest the bottom of the value chain.

The WORKS results suggest that EU gender equality and anti-discrimination policies in the workplace (equal pay, equal treatment, positive action, sexual harassment *etc.*) does not affect large groups of workers. *High-skilled knowledge workers* (dress designers, R&D, and IT in software services – occupations studied by the project) do not need these policies, as certain equality can be achieved by women adopting 'male' work cultures and working patterns. Especially, in the dress designers occupation that is closer to the socially constructed 'female' task of cloth and dress making, women can be promoted more easily than in the other two knowledge-based occupations that have a strong technological image. Men dress designers may not have the support of a gendered stereotyped image, but they are benefiting from the 'male' characteristics of the job (such as high-economic competitiveness of the sector and the requirement of full commitment regarding working time by the workers).

*In service occupations*, gender equality and anti-discrimination policies do not play an extensive role, as the majority of occupations are occupied by women due to the socially constructed 'female' character of major work tasks (front-office contact with customers, service provision, keyboard skills, work organisation offering possibilities for part-time and other flexible working time arrangements.). In these occupations, policies could facilitate gender equality only if they involved measures that promoted a 'mix' of the occupations. Policies facilitating equal pay and equal treatment between women and men are not efficient, as in most cases, large numbers of women are more or less 'equalised' to smaller numbers of men at lower pay levels and poorer working conditions.

Lastly, in *production jobs* studies in the WORKS project, gender segregation remains strong among different tasks and jobs. Gender segregation is based on stereotyped public images of 'male' and 'female' jobs (packing, cleaning are 'female', slaughtering is 'male'). In addition, some new forms of segregation appear between ethnic groups without challenging the existing ones based on gender. Almost all types of production workers tend to remain at lower levels of pay, and working conditions differ mainly according to gendered segregation patterns. EU gender equality and anti-discrimination policies in terms of ethnicity seem to be, here again, inefficient. Differences produced on the basis of gender and ethnicity are difficult to overcome by individual workers who are 'trapped' in highly-segregated occupations. Positive action and equal treatment policies can be effective only if they aim at mixing into managerial positions and in other higher levels of the hierarchy that are reserved to specific sexes and ethnic origins.

In general, most gender equality and anti-discrimination policies have to be enforced through the action of individual workers. This requires large amounts of time, energy, personal commitment and resources that are available only for workers in high level professions. Forms of discrimination that are 'justified' because of segregation 'neutralise' potential efficiency of individual action. Collective bargaining procedures and action by social partners are more useful in this regard. However, even in cases of existing powerful collective action, some aspects of gender segregation can be tolerated and even justified due to existing stereotypical divisions in the family and some aspects of ethnic segregation can be tolerated or even justified on the basis workers' differences in language and social skills. Equality plans and diversity management were scarce in WORKS businesses cases. However, such plans should be considered to be the best tool to efficiently challenge gender and ethnic segregation in the work force if they are jointly developed by trade unions and employers.

*Policy recommendations* that can be drawn from WORKS results in the light of existing EU and national policies for gender equality and anti-discrimination based on ethnicity are as follows:

- a. more efficient *monitoring of the implementation of EU legislation* for equal treatment of workers regardless of their sex, race and ethnic origin. Combating both direct and indirect forms of discrimination at the workplace should be strictly monitored by public bodies specifically set up for this task. Wider recognition of sexual and racial harassment as a form of discrimination (as prescribed in recent EU legislation) should be attempted in this context;
- b. extension of the eligibility of *bringing forward cases* of discrimination to collective agents and trade unions rather than only of individual workers. It is evident that the most discriminated jobs are those belonging to the disadvantaged segments of workers and not those in professions in which individual competition and bargaining are prevalent;
- c. public incentives for the adoption of *equality plans and diversity management* by companies in the public and private sector. These plans should include positive action in favour of women and workers of ethnic minority groups in order to break the 'glass ceiling' and quit the 'sticky floor'. Both vertical segregation (job's hierarchical ranking) and horizontal segregation (of jobs, tasks and sectors) should be tackled. In addition, measures to reduce the impact of gendered culture in workplaces (created by various explicit and implicit practices of work organisation) should be included in the plans and the management patterns;

- d. introduction of national and community prizes for '*Equality Employers and Companies*' should be encouraged, especially in the framework of the rapidly emerging policies favouring social corporate responsibility;
- e. public and community support in *long life vocational training* and open source self-training modules for workers who wish to upgrade their skills and knowledge in view of changing jobs or promoting in their jobs. Equal opportunities should be a core element of these qualification schemes and childcare should be provided for those attending training programmes;
- f. *collective agreements* must aim to improve job opportunities for women and ethnic workers by ensuring minimum standards in working conditions and pay for those occupations at the lower ranks of occupational hierarchy. Aiming at a mix of sectors, jobs and occupations can facilitate equality and reduce risks of marginalisation of certain jobs;
- g. extension of the application of *protection of collective agreements* when public services are outsourced (according to provisions of directive 2001/23) to gender and anti-discrimination legislation. Existing legislation is unclear on this question, for instance when workers were 'seconded' by their existing employer to a new public-private partnership, and where workers were transferred under short-term contracts which were subsequently renewed with a different outsourced supplier;
- h. at the societal level, *awareness raising campaigns* promoting ethnic and gender diversity in jobs and occupations and challenging stereotyped roles, qualifications and knowledge related to paid work;
- i. special attention must be paid in vocational orientation and training so that *gender and ethnic stereotypes* are undermined. Emphasis should be given to boys turning to 'female' field of studies and specialisations. In general, public education curricula have to be designed in a way that minimises sexual and racial discrimination and implements the principle of 'mainstreaming equality for all' at all levels of the education system.

## 4 Retraining and skilling policy and practice in value chain restructuring

PETROS LINARDOS

### 4.1 Frameworks of policy

Restructuring of value chains, leading to the networking of business functions across countries in Europe and the world, represents a new challenge for policies which impact on training and skilling. Some initiatives try to go beyond particular national institutional and policy frameworks, trying to find solutions on a European level. In fact, the European orientations for education and training seem to be proposing the co-ordination, if not unification, of the national education and training systems as an answer to new skilling needs and also to the inefficiencies observed in many national systems. Nonetheless, the differences between the contexts in which sectors and business functions have to operate continue to play an important role. One answer to institutional diversity has been the increasing use of private market provision for education and training services. This has also contributed to an increasing importance of individual initiatives in the education and training field.

The necessity to supply the appropriate knowledge, efficient regulation and an institutional framework capable of determining the needs of workers, firms and the markets for skills, does not always find corresponding procedures and interactions among stakeholders and state policies.

The WORKS project examined the effects of restructuring across value chains on working conditions and the quality of work life. Education and training policies obviously have a significant role in the outcomes of restructuring. Furthermore, the restructuring itself also impacts on skilling practices and use of knowledge in the companies under investigation. Thus the case studies provide extensive information about the role of value chains on skilling and learning at the level of business functions and occupations. Out of this, general orientations for policies do emerge, which present new questions for research in the field of education and training, which, in general, suffers from limited information about efficiency of the national systems and thus of the application of choices made by the European Union.

### 4.2 Conceptual discussion on skilling and learning

The acquisition of skills is generally speaking a process composed of education and training programs offering systematically prepared knowledge on the one side, and on the other of learning by doing offering the possibility to acquire practical knowledge, that is to a great part, tacit. Through these learning processes an employee obtains a qualifica-

tion and competencies: a qualification, in the sense of vocational training, is a codified description of the capacity to respond to the needs of a working place (connected in general with education and training programs), while competence is ‘completely individual ... and only has an objective value in the company in which it was acquired’ (Fragnière, 1996: 53).

A first - narrow - approach of policy influencing skill formation through education and training, in the ‘knowledge-based economy’, ‘with human competences ... becoming the main economic resource of the future’, is based on the observation by public authorities of ‘changes of qualifications’, while the ‘the observation of changes extends to the certification process’ (*ibid.*: 41). A demanding but necessary institutional framework is needed to progress from identification to standardisation, to valorisation through some form of social dialogue and, finally, certification by public authorities and training institutions in particular (*ibid.*: 57).

But a wider description of policies influencing skill formation should be added to the decisions taken at firm, sectoral or national level concerning education and training (as supply and as demand), and that is the choice of organisational form for learning by doing through working experience: ‘... Investing ... in certain types of relationships among people who will have to develop and utilise their skills collectively’ (Lazonick & O’Sullivan, 1994: 3). And a third issue must be added, the ability of the employer to extract effort from their workers (Lazonick, 1990: 17). But since the working process is, to various extents a learning process, this ability is also an ability to extract the effort to learn. The incentives offered to workers so that they agree to offer that effort vary greatly even among the same category of workers. High levels of job security can be such an incentive, or the possibility to change jobs in a cluster of innovative firms, or the privilege of good pay in an environment of poverty.

Education and training policies can only be one part in the formation of skills because learning and the accumulation of knowledge by workers is the product of both systematic formal learning as well as the product of learning on-the-job, or in social contexts related to work. Even if systematic learning is a precondition for the acquisition of ‘cognitive capacity’ (Foray, 2004: 2) and the ‘capacity for intellectual and physical action’ (*ibid.*: 4), learning by doing is and has always been part of the learning process at the workplace, starting from the slowly evolving craft and Taylorist contexts, up to the rapidly evolving context of work in the knowledge economy. Therefore, the conditions under which learning by doing takes place and is taken into consideration are an integral part of the formation of skills.

The answers given in the past to the issues of education and training, organisation and motivation were not identical, and although they can be considered efficient in particular contexts, they did not necessarily cover all of the national economies in which they were applied. To examine this more closely, it is useful to distinguish three types of skills (Estevez-Abe, Iversen & Soskice, 2001: 148): firm-specific skills, industry-specific skills and general skills. From the point of view of the definition of these categories of skills, it is correct to say as these authors do, that firm-specific skills are acquired through on-the-job training (although both specific training and on-the-job training can be involved), that industry-specific skills are acquired through apprenticeship and vocational training (but even for semi-skilled workers learning by doing can be a long-term process, while apprenticeship contains much learning by doing also), and that general skills carry a value that is independent of the type of firm or industry, and these skills can be the result

of both education and practical experience. From the point of view of the active work force, all categories of skills are needed and acquired to some extent, through education and training and also through experience.

The policies of companies for the motivation of workers are implemented in an environment of social policies and social protection systems. With regard to unemployment protection and employment protection, it has been shown that different models of social protection correlate with different dominant skill formation practices (Estevez-Abe *et al.*, 2001: 154). For instance, Germany, where protection of employment and unemployment is high in some sectors, has a mix of industry-specific and firm specific skills, with the national VET system playing a dominant role as the basis of both the firm level learning process and the motivation of the workers, who are members of an industrial work force. The US is an example of low protection for both unemployment and employment, and a strong development of general skills. However, firm specific policies for skilling and motivation of workers have been an integral part of this model through a segmentation of the labour market, in which the motivation for part of the labour force for skilling is linked to fears of insecurity and precariousness. In the case of Japan the low unemployment protection and high employment protection, coexisted with strong general education and firm specific policies for skill formation. There was training and working within learning structures for some firms, but this coexisted with a parallel labour market which was highly insecure (Satoshi, 1982), but with a functional relationship with the firms adopting the first model.

The concept of 'internal labour markets' emphasises the importance of the firm in providing training, learning and incentives to workers. The internal labour market provides internal career possibilities, in-house and firm-specific training, competence development policies, and also stabilises relationships between capital and labour in the firm (Ramioul & De Vroom, 2009: 67). Since these firms are active within different combinations of skilling and social policies, it can be said that the functioning of the internal labour markets is the unifying process which guarantees the equilibrium between the existing levels of skilling policies and the protection of employment and unemployment. It is through the functioning of the internal labour markets that the division of labour and the organisation of work are reproduced or modified, in which the learning process takes place. We can say that the 'internal labour markets' are a common framework in which education and training, organisation and motivation combine in a positive way for the realisation of the learning process. 'The key question is to what extent restructuring organisations preserve, adapt or establish internal labour market structures or to what extent they develop strategies seeking a new balance between internal and external labour markets, and between their own organisation and other firms with whom they collaborate?' (*ibid.*: 68). These authors present the following suggestions: the restructuring process can lead to the strengthening of internal labour markets for core employees, but - we must add - new needs for education and training appear; there is an extension of the internal labour market beyond company boundaries, combined - we can say - with individual learning trajectories; there is a return to a broader labour market to attract the required qualified work force, and a generation of a new internal labour market with the organisations belonging to the value chain, although ad hoc solutions are found in every case, and there is not anymore a unified institutional framework, or model of firm policy. 'Offshore outsourcing of any broadly defined value-added activity can be driven by a cost minimization motive as

well as a knowledge-seeking motive' (Maskell, Pedersen, Pedersen & Dick-Nielsen, 2005: 7).

It seems that 'decommodification' of work remains a dominant characteristic of work organisation and the skilling process, although it is contested by an existing 'recommodification' tendency. The learning process is influenced by the following strong changes: First the development of a market of education and training services not controlled by public institutions and policies. These are offered to mostly young employees or the unemployed. Second, the general development towards a 'knowledge-based economy', characterised by a constantly rising education level, independent initiatives for the production or reproduction of new knowledge, and the easy access to an increasing stock of information. Third, a deregulation of the labour market accompanied by a weakening of labour market policies and institutions, although country differences are apparent. These changes have created an unknown territory for the future of education and training.

The creation and extension of the market of education and training services, and the individualisation of learning paths create, even in the same national context, a mixed picture of practices which can take place within or outside coherent national frameworks. Restructuring is added to these changes. At national levels, internal labour markets organise learning-by-doing in a relatively homogenous environment, in which there are complementary policies for education and training and policies for social protection. Restructuring is in many cases about moving activities or networking with activities (business functions) in other countries inside or outside Europe, where VET systems and social policies can be very different and have different levels of efficiency.

Restructuring and value chain extension in the new globalised environment is possible because of the existence of skills and of a learning capacity in various countries of Europe and the world, because of cost differentials, and because very low social protection (including wage protection) guarantees collective and individual loyalty of workers in remote places and different cultures. It is a dynamic process, evolving much faster in many cases than in the period of outsourcing mainly of typically Taylorist activities, because the educational levels in many developing countries have increased dramatically. But it is a selective process, offering unequal possibilities for outsourcing or networking, and also unequal possibilities for learning.

The development of the knowledge-based economy and the appearance of networks connecting the parts of value chains have increased the importance of individual choices. Rosanvallon wrote about the 'individualisation of the social issues' and the importance of 'individual paths' as opposed to collective identities (Gautié, 2003: 15). The individualisation of learning skills can mean different things. It might involve the individual motivation for learning as a dynamic process on a mass scale (and not merely adapting to already existing needs), the role of recognised individual competence or qualification within a firm or an institutional context, or the role of personal initiative for change in the firm and the workplace. The observation of 'internal labour markets' and of institutional frameworks with a clear learning dynamic (German, Japanese), has shown that there has to be an interaction between individual motivation and initiative, and institutions (and policies). The 'asset-based individualism' (*ibid.*: 19), is reversing this approach giving the first role to the acquisition of personal 'human capital' with the help of an appropriate institutional framework, facilitating the functioning of markets for labour and education and training services. 'Social relations are thereby reduced to a means by which the individual can realise his/her projects' (*ibid.*: 21).

Amartya Sen has criticised this approach saying that it is not enough to offer 'capital' to every individual; he/she must also be offered the possibility to use it for his projects in life. The issue is 'civic individualism', the effective increase of autonomy and opportunities of individuals through democratic participation (*ibid.*: 27). Democratic participation in this sense goes a step beyond the institutional framework composed of policies for education and training and policies for social protection. The 'capital' of knowledge for every individual, contains also knowledge for the determination of choices at the level of institutions and policies. At the same time, individual choice means the participation in the formation of policies and institutions and the possibility to evolve in a framework formed in this way.

In the knowledge-based economy, or the learning economy where individual learning and restructuring are gaining ground, how can the learning process take place? 'An integrated competence building strategy' is needed (Lam & Lundvall, 2007: 112), through the combination of hiring and firing decisions, investment in internal training and learning and access to individual and collective learning through take-overs, mergers, and positioning in networks or strategic alliances. The general idea behind this approach is that 'a deeper and fuller understanding of how Europe's economies learn should lead to institutional reforms and combine the flexibility of the markets with collective responsibilities and investments in collective infrastructure' (Lorenz & Lundvall, 2006: 6). The concept of 'social capital' is fundamental for this view, although it may mean many different things. It is true that in some ways these reforms, combinations and responsibilities, must be decided and applied collectively.

Forms involving the increased role of initiative in the workplace can be in a parallel way. Here the development of learning by doing and of participation in the innovation process, mobility through learning in the sectoral labour markets, and the capacity of workers to adapt to the supply of quality services through work organisation based on their initiative and their capacity to innovate are important. This 'spectacular increase of the importance of the human brain as an input to the work process' (Castells, 1996: 309), is evolving in a context of increasing insecurity concerning employment, unemployment protection and wages, and even the degradation of the conditions of employment for low skills. The 'freeing' of initiative, and the extension of learning in the broader labour markets, is thus counterbalanced by the increased power of employers concerning the protection of the wage earners from unemployment and precariousness. They are also the ones who determine the conditions in which learning takes place and initiative is deployed.

As it will be observed when examining the European framework of VET policies, these changes are not taking place within a particular model of skilling, and the existing models in European countries are evolving without a clear orientation. The national VET systems are considered unadapted, the development of a market for education and training services is accompanied in several countries (Greece for instance, but also New Member States) by the retreat of public policies from that field. The differences between national skilling practices are not diminishing, while 'authoritarian management and exploitative capitalism' constitute 'formidable obstacles' (*ibid.*: 310).

### 4.3 EU policy landscapes (guidelines, directives *etc.*)

The existence of important differences between national practices in education and training is an important general finding of the WORKS case studies. When examined in the framework of the Lisbon Strategy, which is applicable to all member states, this finding about the national differences raises two important questions:

1. How will the national differences be categorised considering the unity of the EU strategy?
2. How will national practices in the education and training field be considered to be compatible with the aims of the Lisbon Strategy?

When the European Council issued the report 'The concrete future objectives of education and training systems' (14 February 2001), which was addressed to the policymakers of the member states, the general objectives were:

1. increase the quality and effectiveness of education and training systems in the European Union;
2. facilitate the access of all to the education and training system;
3. open up education and training systems to the wider world.

Very soon after the Lisbon Strategy was adopted in 2000, the high level task force on skills and mobility (14 December 2001) concluded that insufficient attention is paid to the dynamic aspect of change by the education and training systems and that information about jobs, qualifications and living conditions in Europe is often dispersed, difficult to access, compare, and is unreliable. Recommendations were issued on citizens acquiring basic skills, raising the share of the population attaining post secondary education levels, linking educational-training institutions and the labour market, awarding enterprises introducing competence development strategies, providing greater investment in less favoured regions to develop human capital *etc.*

The discussion about skilling practices remained at the level of general aims, or isolated policy recommendations, avoiding going into the examination of national policy frameworks, and to examine at that level the needed reforms and particular priorities.

#### *The European debate on VET policies*

After the address of the Lisbon objectives to the member states, the Copenhagen process was introduced to enhance European co-operation in VET as presented by the Helsinki Communiqué, and was agreed to by the ministers of VET and the social partners and the Commission (5 December 2006). The priorities decided were:

1. policy focused on improving the attractiveness and quality of VET;
2. development and implementation of common tools for VET;
3. strengthening of mutual learning.

The implementation of the Copenhagen process was to be supported by, among other programs and institutions, the effective use of structural funds to support VET reforms at national level. This means that this decision recognised the fact that VET systems needed reform at national level in several member states. It was decided that the integrated biennial report on the 'Education and Training 2010' work program should include a specific

part addressing VET, enabling monitoring of the progress made concerning this reform effort.

One important common tool finalised in April 2008 is the European qualifications framework (EQF), which categorises eight levels of qualifications, defined by the knowledge, skills and competencies required. The national qualifications frameworks of the member states should abide by this system. And although the content of the reforms that will lead to a convergence of the VET national systems is left up to the member states, and is not even described for every country, important guidelines are given for the evolution of the VET national systems. The integrated guidelines for the national reform programs for the period 2008-2010 (the continuation of the Lisbon Strategy) contain the following aims that should be implemented or continue to be implemented at national level during that three year period:

- increase of spending for human capital;
- assure personalised guidance and training;
- modernise and strengthen labour market institutions;
- offer training opportunities;
- anticipate the change in skills;
- adapt education and training to new competences and requirements.

Even if these guidelines are not based on a common European institutional context, they do describe measures, practices and institutional functions that, if adopted, could lead to an important convergence of the national VET systems. But, as it can be observed in the annual evaluations by the Commission of the national reform programs' implementation, there are no recommendations based on the evaluation of national institutions and policies influencing the skilling process, and leading to ad-hoc reform propositions.

Another report for the commission by the European expert network on economics of education (Woessmann & Schuetz, 2006) examined the efficiency and equity in European education and training systems. It concluded on IV CET that 'the empirical knowledge on what determines a successful system of vocational education is very limited' (p. 22) and proposes that while 'it is important for an efficient system of initial vocational education and training to provide qualifications well-tailored to market needs', 'provision by the private sector combined with certification by the public sector may be one means of achieving these goals' (p. 23). It is suggested that 'European systems of higher education could gain a lot in terms of efficiency by some measures of privatisation' (p. 25) and that 'encouraging the private sector, which is more aware of market demands, to produce additional training seems a better policy than direct public production of training' (p. 28).

It can be asserted that the lack of empirical knowledge about the efficiency of the system of vocational education is closely related to the incomplete or even separate decision making concerning VET, labour markets and social policy. On the other hand, expecting that the private sector will, in these circumstances, offer more efficient equitable systems, is open to question. The increasing role of the private sector is the product of demand for education or training services by particular groups of people, who are not satisfied with the quantity or quality of the existing offers. Thus, the capacity of the private sector to satisfy the new demand is to a certain extent the function of the public sector's limited flexibility and adaptability.

It is obvious that the persisting dominance of most national VET systems constitutes a crucial issue, at national but also at European level, since the inequalities between

national systems and between their capacities to adapt to the Lisbon Strategy imperatives constitute the issues that European and national policies must take into consideration. Finally new trends in the field of skilling such as the development of general skills, and the quality of education and training offered through market services to firms and individuals, are strongly influenced by the history and present capacities of the national knowledge production systems, of which the VET systems are an important part. The temptation to consider the market as the main provider of learning services is real but is also questioned: ‘... As the knowledge-based economy creates considerable opportunities for training for all age groups, the public sector must play a key role in the exploitation of these opportunities in order to help everyone to acquire the necessary skills and knowledge’ (Foray, 2004: 238).

*Creating an integrated framework for learning and training*

A recent report assessing the ‘developments in the opening up of VET pathways’ for the Commission (McCoshan, Drozd, Nelissen & Nevala, 2008), concludes that ‘steps should be taken to ensure the complementary functioning of VET with the labour market and social welfare systems’ (p. 15). ‘Member states should consider whether their VET systems are currently configured to meet the need for holistic approaches,’ and that ‘there is a need for capacity building among [employers and civil society bodies] to enable them to play a full and active part’ (p. 16). Criticism involves the lack of comprehensive implementation of policies concerning VET, labour market policies and social policies by the member states, meaning in practice that measures and decisions in these three fields are adopted without being part of an identifiable strategy based on the Lisbon Strategy, and follow different aims. Also, the societal representatives, or the social partners if one prefers, are not engaged in systematic collaboration in decision making and implementation of policies in these fields.

The International Labour Organisation report on ‘Learning and training for work in the knowledge society’ (2003: 18), presented an institutional framework that, based on experience, can be effective and ‘develop a common culture of learning and training between all parties concerned – government, social partners, enterprises, individuals and civil society’:

- a framework and institutions for dialogue between employers and workers, and others representing civil society ...;
- a diversified system of public and private training institutions and providers, including systems for supervising the quality and relevance of their programs;
- a decentralised structure for decision making regarding identification of training needs, content and curricula of education and training, and mobilisation and use of resources;
- integration of the concept and practice of lifelong learning into the institutional framework; and the establishment of a qualifications framework and systems of skills recognition and certification in support of lifelong learning;
- institutions for collecting, analysing and disseminating labour market information, for job brokering and job-search assistance.

However, this description of a ‘state of the art’ institutional framework is not comprehensive. First, additional policies concerning protection of employment, unemployment and wages need to be considered. Second, because relating the increasing importance of indi-

vidual initiative with satisfying social and economic needs is a very difficult project. In the knowledge-based economy the learning process is increasingly influenced by individual decisions, not only at the stage of school and initial education, but also concerning training outside and inside the workplace. It is difficult to determine to what extent the majority of these decisions are satisfactory for the individual, for his/her vision about society and for society as a whole. This means that beyond the private market or public institutions dilemma, there is this question about the capacity of the institutional framework to harmonise individual decisions about learning taken at a mass scale and the socially determined needs of the economy.

In a Taylorist, 'Japanese' or even 'German' world, individual decisions about intermediate levels of education and training of the workers are easy to make since the framework is established by firm policies, which can be determined by social dialogue. Choosing outside this framework was always possible, but was a way to the margins or perhaps the top of the industrial hierarchy. In the knowledge-based economy many more educational choices before work are possible, employability and security for many people are to a great extent connected to individual choices about education and training, and the extension and acceleration of learning inside the firms opens new possibilities for such choices.

### *Employability*

The concept of 'employability' emerged as a solution to reconcile the individual choices and the needs of the labour market, based on the hypothesis that supply and demand in the education and training market and in the labour market can achieve equilibrium. Two dominant versions of 'employability' have been used in the European debate (Bonvin & Farvaque, 2007: 14-15): 'In the framework of 'initiative based employability' the individual is called to assume his employability, to become his own entrepreneur and improve his attractiveness for potential employers'. 'For the 'interactive employability' framework ... decisions about training and qualifications depend on the common responsibility of individuals and institutions'. It is added that 'the European employment strategy is oscillating between these two versions of employability', but even the interactive version 'is anchored on a vision of the individual and the training he/she must obtain, which is determined by the needs of the labour market'.

The 'needs of the labour market' is not a trustworthy criterion, particularly in a period of necessary change, of important differences between countries of the European Union, and of trying to implement a common European strategy. The assertion that the labour market can be the factor pulling towards the upgrading of education and training in the direction of 'the most competitive economy in the world' is not based on any evaluation of national cases. Public education and training policies are needed, contained in strategies of knowledge production, which do not only aim to satisfy the needs at the level of work qualifications and skills, but also aim to favour individual learning and knowing, pushing towards the creation in society of 'independent communities of 'expertise', and of 'inherently public' communities of knowledge (Foray, 2004: 234-235), recognisable forms of initiative in the field of learning. Adequate social protection policies are also important for the creation of an environment where learning can be assumed with motives shared between production, and invention and innovation, in the workplace and in society.

Even if the Lisbon process sets the focus, not only on economic growth, but also on social cohesion, '... it appears as if ... the social dimension has been added as something outside the innovation process' (Lorenz & Lundvall, 2006: 411). '... Recognition of national systemic differences ... should be the first step in defining a revised agenda for European integration'. Also 'there is a need to rethink fundamentally what constitutes welfare in the learning economy' (Lorenz & Lundvall, 2006: 412).

#### 4.4 Evidence from the organisational case studies

The review of the organisational case studies of the WORKS program (Valenduc *et al.*, 2008) offers a great variety of relations between restructuring and factors influencing the evolution of skills. The general common characteristic of these factors is that they are not mainly connected to training and as a rule are not influenced by training policies. The changes of skills related to restructuring depend mostly on the education process and on the persistence of 'on-the-job' training processes, while on the other hand choices concerning technology or distribution of tasks within the value chain can have a decisive influence on deskilling or upskilling.

##### *The clothing industry*

There is no trend in the clothing industry of a deskilling process related to restructuring. On the contrary, there is a trend of upgrading of skills for the remaining employees of that sector. There is an important dependence on learning skills 'by doing' (especially in Portugal and Greece), which is gaining in importance since the infrastructure for the development of skills is eroding, because of the overall impression that the clothing sector is losing importance in the European countries (Flecker *et al.*, 2008: 19). In Italy the outsourcing of most productive functions is leading to the loss of professional skills, since manufacturing, sampling and design no longer interact with each other and in a context where learning by doing is important, the separation of these activities tends to have a negative influence on the transmission and the upgrading of skills. This is also the case in northern Greece, where outsourcing to neighbouring countries does not combine as a rule with upgrading of the value chain parts remaining in Greece.

In such a context there is an erosion of the sectoral VET systems, which leads to a shrinking of the local labour supply with a further negative influence on the VET system (Ramioul & De Vroom, 2009: 71). In the case of the highly-skilled designers, qualifications are not based on a specific or highly-institutionalised VET system and as a rule training is considered a personal responsibility. Only in Portugal do we find an institutionalised VET system for designers (*ibid.*: 73). The result is that internal training systems are set depending on company strategies.

The review (Flecker *et al.*, 2008: 20) concludes that the prerequisites for a high road strategy disappear in such regions. It is obvious that this conclusion means that the institutional framework expected to assume the training of people capable to develop high value added activities, cannot adapt to the reorientation of the sector's strategy. We should find out to what extent this rigidity concerns the different levels of this framework, such as the training institutions, the research institutions collecting information about the

needs and the contents of skills, and also the social dialogue associations deciding issues such as sectoral strategies and training policies.

Even in the low technology clothing sector, the issue of training is influenced by the fact that the restructuring process does not cancel the necessity for a learning process. It is observed that when companies move towards 'higher' parts of the value chain, as in the Belgian case study (Ramioul & De Vroom, 2009: 71), a learning process is still taking place with the help of seamstresses from the external local labour market. In the case of highly-skilled designers, learning is not based on specific or highly-institutionalised VET systems (and mainly on the internal labour market), with the exception of Portugal where we find an institutionalised VET system. In a German case, patternmakers have a professional association that meets at fairs, provides training and organises excursions in different countries (Flecker *et al.*, 2008: 20).

The case studies in that sector lead clearly to the conclusion that the lack of a VET system capable of filling the gap left by restructuring and assuming the continuation of the learning process in the business functions left, is a factor that seriously weakens the clothing sector in several countries. The issue of policies concerning skilling is therefore connected to policies, at regional or national level about the specific sector. The firms react by reproducing extended internal labour markets, and professionals take initiatives to continue their learning process in the new conditions, but we are lacking information if we want to arrive to conclusions about all the policy issues that come up.

On the other hand, restructuring by outsourcing production functions to low wage countries and upgrading design and sampling has its success stories, while some stories about the loss of control of the mother companies are also available (...). It is interesting to note that at the international level, the delocalisation of production activities in relation with upgrading of the value chain in the more developed countries is not the only scenario. Access to the international market offers the possibility to parts of the sector in poorer countries (China) to start the process all over again. The expectation begins with producing cheap low quality products, but potentially upgrading in the future.

Reducing the cost of work has been a temptation for companies moving from an old EU country (Greece) to new EU countries (Bulgaria, Romania) with considerably lower wages (Labrianidis, 2008). The unification of the labour markets of (at least) these three Balkan countries within the EU is an interesting issue for all national and for the European education and training policies, and of course for the labour market policies in general.

#### *IT research & development*

Research and development in the sector of information technology is a rapidly evolving activity demanding high levels of education and expertise, while the training opportunities are low (Holtgrewe & Meil, 2008a: 37). It is understandable that this is an education driven activity and also that the organisation of training for persons in that field is a demanding task since the institutions involved must have the capacity to adapt quickly. If training is related to education and is assumed by education institutions, it can be easier to organise if the proper efforts are made by the institutions responsible for the training policies in that field. These efforts depend on the importance accorded by the training policies to increase the number of persons employed in R&D activities.

From the policy point of view, it is important to observe that in many case studies a dependence of qualifications from universities is evident, and that these lack institutionalised systems of measuring formal qualifications (Ramioul & De Vroom, 2009: 76). This raises many questions: Does the dependence on tertiary education, which is inevitable for the skills in R&D, coexist with an orientation of the university studies to be responsive to policy decisions? When there is no institutionalised formal qualification system does that mean that there are no private training institutions functioning with a 'market' logic? How does personal investment in knowledge take place, through personal utilisation of existing knowledge sources or through the possibilities offered by a market of training services?

The review of the case studies shows that women are underrepresented in IT R&D, and are occupied mainly at administrative tasks or activities outside the core computer science field. A similar problem exists for older workers for whom the review observes a stagnation of skill acquisition, because of the lack of access to continuing training, the highly-specialised work, and the flat hierarchies (Holtgrewe & Meil, 2008a: 38).

The environment in which the R&D activities develop could offer the possibility for a more systematic description of tasks and qualifications. The increasing commercialisation of R&D products leads to standardisation and formalisation of tasks, although the restructuring processes observed do not decrease the opportunities for the development and the acquisition of skills. In some cases, 'restructuring offers additional mobility opportunities and new career paths related to the establishment of managerial oriented careers, which are implicitly or explicitly distinguished from the more technical careers' (Ramioul & De Vroom, 2009: 77).

R&D activities are very talent based and favour individualist approaches to work, in accordance with the worker-entrepreneur ideology. This model combining a good education, learning by doing and personal effort, has a history of successes. A conclusion of the cases studies review is that development, commercialisation and restructuring of R&D activities, are three tendencies which increase the number of employees, lead to a standardisation and formalisation of tasks, and are thus pushing towards a more formalised definition of skills and a need for a better organised framework for training in that sector.

#### *Software development*

Entering in this sector of activity requires a high level of skills, meaning not only education, but also practical knowledge of software development. Training on-the-job is an important part of skill acquisition and in general there is some formal recognition of these skills. A general conclusion is that restructuring leads to a formalisation and standardisation of procedures and also that it could lead to the formalisation of the job classification procedures. Another general characteristic of highly-qualified work in that sector is that flexibility, multiple tasks and teamwork are considered necessary for high performance, so that formalisation seems for some employees to contradict these necessities (Holtgrewe & Meil, 2008b: 54). The question arising is to what extent the need for flexibility, the capacity for multiple tasks and teamwork, and most of all for team learning, is really in contradiction with formalisation of competencies and systematic training.

In this sector direct entry from education into IT companies is the rule. Except in Germany and Sweden, there are no strongly developed institutionalised VET systems to pro-

vide focused or company-oriented training complementary to the basic qualifications. The development of professional skills and competences is strongly individualised and employees are mostly responsible (Ramioul & De Vroom, 2009: 74). According to the employees questioned for the case studies, companies talk about updates of skills and continuous learning, but do little about it. On the other hand, restructuring leads clearly to the lengthening of the value chain and it is observed (*ibid.*: 75) that this implies the lengthening of the 'internal' labour market. It is recognised that market-based relations may not be the best basis for long-term skill development and expertise. Thus learning and skill development necessarily and logically depend on contacts and common activities within companies and within the 'internal' labour market of value chains. It is not enough since knowledge inputs from other sources are needed and obtained through the initiatives of employees.

In the German case there are company educational programs of qualified and highly-qualified levels, but only 10 *per cent* of training activities are based on training programs. On-the-job training is dominant (Holtgrewe & Meil, 2008b: 54). Learning by doing and formal training seem in practice to be in some conflict. Restructuring and internationalisation made processes and communication more complex and the standardisation of communication and procedures must coexist with an 'ideal employee' who is flexible and able to multitask (*ibid.*: 54).

The formalisation process has gone quite far in the Hungarian case with the establishment of a catalogue of competencies organised into clusters, and the establishment of relations of a job with different clusters (*ibid.*: 54). This case, as with the following cases, shows that formalisation in a context of restructuring and internationalisation is inevitable. One could say that the restructuring process is simply bringing to the surface an issue that has to be tackled anyway even at company and national levels.

Training has been more systematic in the Bulgarian case, and at the same time experienced professionals with academic degrees make up about 1/3 of the work force. Training concerns also soft skills and language skills (*ibid.*: 54). We could make the hypothesis that the need for more training in this case is related to the fact that the activity concerned is rather new in Bulgaria. If this hypothesis is confirmed we would have an indication about the importance of training policies for countries at the periphery of the EU.

The Swedish case can be considered a good illustration of the issues related to training policies in a context of restructuring. It shows first that restructuring is leading to the introduction of a new structured skills system and 'a new formalised view on work roles, skills and personal competence' (Tengblad & Sternälv, 2007: 18). There is a reaction from the employees' side who consider that the informal organisation of the old system was more creative. Learning takes place through training but also via private efforts with the internet and reading. At the same time, great importance is given to learning at the workplace when working in teams and changing tasks.

Formalisation of skills and training according to the needs observed, does not cancel other forms of learning such as learning by doing, learning from colleagues and learning through individual initiatives. What seems difficult is to change from a learning process which is to a great extent informal and tacit to a new model which is based on the codification of a greater part of learning needs and the development of training activities based on this codification. An important part of the learning process does not only profit from co-operation and interaction between colleagues, but is also dependent on the existence of formal or informal teams.

*Food production*

Skills in the food production sector are divided in two categories, the semi-skilled production, packaging and warehouse workers and the skilled maintenance and management personnel. The importance of tacit knowledge is a general characteristic of semi-skilled workers, but also for the office personnel. Upskilling occurs with the introduction of IT in the entire value chain, and the introduction of activities related to quality control. Automation of production, however, can lead to deskilling.

For the food production activity 'experience was the most useful factor' (Meil & Schönauer, 2008: 72) and the relation to local agricultural production is a factor of stability. Outsourcing or delocalisation of production activities is first related to the possibilities of local agricultural production and then to the possibility to find or train the proper work force. The observed restructuring is mostly a change which concerns the relation of already existing activities, together with the introduction of new technologies in the production process, and the upgrading of the value chain. Dealing with the issue of skills during restructuring is in most cases the continuation of a long process, and it must take into consideration the existing capital of tacit knowledge.

It is observed that middle management positions are now more often occupied by newly hired young professionals (Ramioul & De Vroom, 2009: 78). This means that there is an erosion of the internal labour market structures because of restructuring, even though these structures continue to play an important role in other cases for the career paths leading to middle management positions. The switch to the recruitment of professionals could be the result of the availability of young people with the corresponding education.

The discussion of the education and training policies at the national level in a number of EU countries must take into consideration that the cases which engage in a complete upgrading of the value chain (Co A in Greece for example), represent a minority of the enterprises in the food production sector. The lack of the necessary skills (of professionals) could be considered one factor impeding the extension of the participation of national companies in upgrading restructuring processes. The fact that an important part of the work force in the food sector has low skills but lots of experience cannot be a reason for underestimating training. The introduction of logistics and quality control is a strong tendency which brings to that sector new categories of skilled personnel, while the necessity to support the creation of firms participating in upgraded value chains demands workers and employees who must have a preparation through education and training.

The Belgian case shows that the lack of proper training programs for new employees can be a problem with a negative effect on profitability production work in the Danish case is Taylorised and the introduction of automation and computers in the workflow is 'a classic example of a simultaneous upskilling/deskilling process' (Meil & Schönauer, 2008: 72). The majority of workers, however, are not challenged and have fewer learning opportunities. Training is reduced to learning the new automated processes. It is the only example of deskilling in that sector, which is also connected to some sort of training.

With the exception of the Scandinavian cases which differ because of the possibility for production workers to obtain an apprenticeship certificate, training is in fact a company decision.

*IT service outsourcing*

The introduction of IT in the public administration can follow two paths: first the introduction of new IT and the standardisation of products and processes, and second maintaining the sector and/or context-specific characteristics of the different services and demands of the clients (Ramioul & De Vroom, 2009: 78). It is the difference between a cost driven and a service driven strategy.

The UK case gives a 'good example of struggle between technology and context'. The transfer of the IT department to a private international consulting services provider has changed the qualifications requirements, which became independent of 'knowledge and commitment to the local context', which are crucial for a municipal service. The deskilling taking place for the municipality employees, but also the deficit of skills for the providers employees compared with the qualifications required for high-level services, are directly connected to the policy about the quality of services.

If IT skills are transferred to the provider, there is a standardisation of software and tasks, and the technicians in the public entities experience a loss of control over skills and the evolution of skills. The Dutch case shows that the transferred knowledge to the IT provider concerns not only technical know-how but also legal-substantial know-how. The provider does not only offer the technical conditions for the activity of the public entity, but also the organisational and administrative methods for the services delivered by the public entity.

Since the core activity is about services to the public, the capacity of the people providing this activity should play an active role in the process of choosing technical and organisation solutions, in order to ensure quality of the services. This means that the new division of labour between public service workers and IT service providers could not be the most important problem and that the serious problem could be the increased power of the (private) provider in its relation with the public entity.

If this remark is correct, the deskilling observed in the public entities is only part of a more important problem of the loss of control of the organisation and management of the services offered. In this sector, the issue of training needs a new approach because of restructuring. The standardisation of procedures which is realised is not necessarily a 'good' standardisation, and if a better one was chosen, many training needs for the personnel of the public entities could be made visible.

*Customer services in the public sector*

The review of the cases of restructuring concerning customer services in the public sector leads to the following different types (Ramioul & De Vroom, 2009: 80) of internal labour markets:

- in the Italian and Austrian cases restructuring resulted in two separate labour markets, one internal, one external with no mobility between the two;
- in the case of the German railways there was a reorganisation into several subsidiaries, but no erosion of the existing internal labour market (collective agreement, job security, internal employment agency);
- in the case of the Dutch telecom the transfer of personnel to the call centre has enlarged opportunities for careers and skill enhancement;

- in the case of the Greek post, the transferred personnel ended up in a company where promotion was dependent on the supervisors' discretion.

The work at call centres is generally based on little training and is 'linked to experience, practice and knowledge acquired over time' (Piersanti, 2007: 13). The outsourcing of courier activities by the Greek post, employees are left to develop the capacity to organise work in the difficult field of the city streets (Gavroglou, 2007: 11). This last case shows that experience and practical knowledge can lead to middle management responsibilities, when the employees have a prior level of knowledge and are able to develop social and technical skills.

The use of ICT tools is a way to reduce the dependence on the workers initiatives regarding the content and the organisation of work. The introduction of ICT can be seen as another means to control work in the customer services and increase its productivity. Workers are also caught between the pressure of the company and the need to satisfy the customers in new more efficient ways. There must be a limit to this pressure even from the point of view of the company, since the satisfaction of the customers is an increasingly important issue.

## 4.5 Conclusions

The skilling processes observed in the WORKS case studies lead to the following observations:

- skilling is part of a learning process at the level of the value chain, and restructuring can be one way of implementing this learning process;
- demand for education and training is increasing, but also demand for specific training programs, capable of responding to the increased formalisation of qualifications, and the evolution of these qualifications;
- education and training systems must be flexible and capable of adapting, and also capable of satisfying individual demands;
- learning in internal labour markets or extended internal labour markets remains crucial, since the use and acquisition of tacit knowledge is necessary for the overall learning processes;
- restructuring, on the other hand, can be 'cost driven', meaning that the innovation process is not the priority, the quality of products and services can be inferior to existing possibilities and deskilling can be a visible result;
- the 'market' does not appear to counterbalance the lack of training facilities observed in an important part of the case studies.

At the same time important questions arise from the perspective of a general policy framework:

- restructuring at firm or sectoral level is not clearly connected to policies that favour innovation. It seems that we could go beyond the remark that 'improving national competitiveness has often become the leading motive for policy development, ... at odds with policies aimed at achieving equal income distributions, combating discrimination or reaching high-employment levels' (Meil *et al.*, 2009: 7) and observe that for

several sectors, the contribution to 'national competitiveness' is decreasing through restructuring;

- furthermore, we can find evidence supporting the position that 'globalisation strategies destroy the foundation upon which national regulations are based' (*ibid.*: 14). Weak national frameworks of learning and work protection do not manage to evolve in the new conditions as the cases of Greece or Italy demonstrate (Linardos, 2007);
- concerning the changes in the learning process, questions arise about the role of formal education, the changes in qualifications and training needs, the changes work organisation and the increasing importance of individual initiatives for learning, and also the social protection issues related to the restructuring processes.

The review of the case studies has shown that the discussion of the policy issues in the area of education and training cannot seek to find solutions for the restructuring process at the firm level, but has to take into consideration the dynamics of restructuring at the sectoral level. Both the quality and importance of provision of tertiary education, in sectors such as R&D and software development are factors which can influence the restructuring process for these sectors. Individual firms engaging in such processes are not pre-occupied with policy issues in most cases, but are trying to find solutions to manpower problems by themselves. But the deficit of specialised graduates can have serious negative macro consequences for these activities, which can only be counterbalanced by policies, and among them the education policy, aiming to increase production and employment. The Belgian case studies in the IT sector for example, have revealed that enterprises are confronted with a shortage of IT professional skills from universities and high schools (Ramioul & De Vroom, 2009).

Training policies must play a similar role. Even though many high-level activities are involved in internationalised value chains, their importance for regional economies is not reduced. The inevitable standardisation of work also makes training necessary and complementary to education. In the cases of low skill level sectors such as clothing or food production, questions about education and training arise, which can only be tackled if governments and regional authorities are engaged in sectoral policies. In both clothing and food sectors the case studies review shows that upgrading of the value chains can profit the regional economies and employment. Concerning the clothing industry in Belgium, it was observed that existing companies suffer from a shortage of qualified personnel because of the closure of many schools and training programs (Ramioul & De Vroom, 2009)

The comparatively low degree of labour organisation and individualistic attitudes which seem to be the characteristics of professionals in many restructuring cases concerning the skilling process, lead to two questions: Do the learning initiatives of these professionals find the best possible learning opportunities? And does the protective net cover all such professionals at different levels?

These observations can lead to important recommendations for the European framework of education and training policies:

- the VET systems in the member states must play an active role in the knowledge-based economy, to achieve the aims of the Lisbon Strategy;
- unification and co-ordination of the national VET systems is necessary, since restructuring of value chains is mostly taking place in the area of the European Union countries;

- universities must adapt to the needs of the knowledge-based economy and be ready to offer training courses to employees working in knowledge-intensive sectors or business functions;
- several case studies bring up the issue of sectoral and regional development and employment, leading to the necessity to combine VET policies with policy choices at these levels;
- reduced social protection can be an important factor impeding the extension of the learning process in the economy and the extension of value chains.

Reforming the education and training policies at national and regional level, in concert with sectoral policies, means targeting the efficiency of a complex institutional framework in every member state. The education and training institutions are part of this framework, but also the research institutions following the evolution of needs, the institutions transferring knowledge from the research to the policy institutions and the social dialogue institutions offering the possibility to negotiate the choices made at the policy levels. The efficiency of this framework depends to a great extent on its capacity to influence a decisive part of the economy and the labour market.

Factors such as the resources allocated to the above activities, the importance of informal labour, the participation of government and regional authorities in social dialogue, the participation of the social partners in this dialogue, the dominant means of finding a job, can influence the capacity of training policies in a decisive way. Education policies depend on the existence of research institutions following and evaluating the needs of the economy and society, which must adopt a more open attitude towards the policies of sectoral and regional development.

These changes seem to demand important strategic choices:

- knowledge development in the education and training sector is underdeveloped and should be promoted by some 'kind of experimental research' and the creation of the 'right conditions to maximise the social benefits stemming from the development of the learning by doing expertise' (Foray, 2004: 205);
- the recognition and categorisation of national particularities and differences within the European Union, of institutional and policy frameworks;
- rethink and determine what constitutes welfare policy in the knowledge-based economy;
- assume a project of unification of the institutional and policy frameworks within the EU.

# 5 The role of institutions and social governance in restructuring

PER TENGBLAD / PETER DOCHERTY

## 5.1 Introduction

The results of the WORKS project reveal a growing two-dimensional fragmentation in working life across sector, business function and country. Firstly, organisations tend to dissolve in new legal and business-oriented entities along the value chain building on new external network relations rather than internal hierarchies in the traditional sense. Secondly, as a consequence of this, but also as a result of an increase in flexibility demands, employment relations are being fragmented and more exposed to competitive pressures.

In this chapter we will discuss the effects of this development on the way in which social dialogue on different levels could be developed. The underlying assumption is that social dialogue and participation are important tools for creating long-term sustainable organisations and an inclusive working life. In a global perspective this is an issue of developing a modern social and inclusive work-life model for Europe to be competitive in the knowledge society.

The social aspects of value chain restructuring are embedded in the economic, social and labour institutional frameworks in which companies form their decisions. This chapter will develop some conclusions on how social governance can improve the processes of restructuring and its outcomes. It will deal with both the social dialogue that is shaped in the internal company processes and with the interaction and the mutual influence between primarily social and labour market institutions and the organisational restructuring processes. These interactions take place on different levels. The national level is still the most important – especially regarding regulation and general employment policies. EU actions in this area are increasing but are still very much oriented to trying to set minimum standards (for instance on information and consultation) and/or using other more knowledge-based instruments (bench-marking, best-practice *etc.*) for example on employment policies.

The management of restructuring in a socially responsible way should be based on a holistic view of the organisation, its resources and its influence on society as a whole – today and for future generations. The sixth EU framework programme was aimed to attain a competitive and sustainable Europe. The more general term ‘sustainability’ was

defined by the United Nations<sup>2</sup> in 1987 as ‘a general worldview in which people should strive to fulfil their needs in a manner such that the ability of future generations to fulfil their needs is not endangered’. Sustainability entails concurrent development in the economic, ecological, human and social resources. The growth of social resources is secured by the equal and open interaction among various stakeholders, leading to better mutual understanding and a greater capacity for collaboration. Social sustainability is about maintaining, developing and regenerating the social resources of the organisation (Docherty, Kira & Shani, 2009). This is done through a dynamic and fair interaction between the stakeholders of the organisation. Social governance in this respect is reflected in the way those interactions are shaped in order to govern the process of, for example, restructuring across value chains. This process is not just governed by the partners being directly involved in the process (organisations and/or unions/works councils) but by the inclusion in the governance system of public actors, institutions and regulations that guide and support the actions taken. For example, social governance includes systems for regulating the labour market, including such issues as employee protection and mobility, vocational, educational and training systems, regulations on the social dialogue.

It is important to realise that interest in and focusing on social governance is ‘a means to an end’ and as such it is not just an issue for the employees and their representatives where quality of life is the ultimate goal. Social governance also has a public, societal dimension where quality of life for all citizens as a goal also involves giving the preconditions for economic growth, sustainable development, a well-functioning labour market and an inclusive society. Furthermore, social governance and socially responsible restructuring is a HRM issue making it important also for the employer. From an employer point of view, social governance is about getting the most out of the employees and their knowledge and at the same time keeping the organisation attractive in order not to lose important competence and be able to acquire new competence. This often involves developing the competencies, trust and loyalty of the employees.

## 5.2 Social aspects of work – and motives for governing them

In the WORKS project we have looked at different social aspects of work and how work is shaped by fragmentation and increasing flexibility in the wake of restructuring across the value chain. It concerns issues such as skill formation, working time, balancing work with private life, and effects on gender and ethnicity. We identify two central areas of relevance for social governance conditions of employment and conditions of work (Berg & Docherty, 1975).

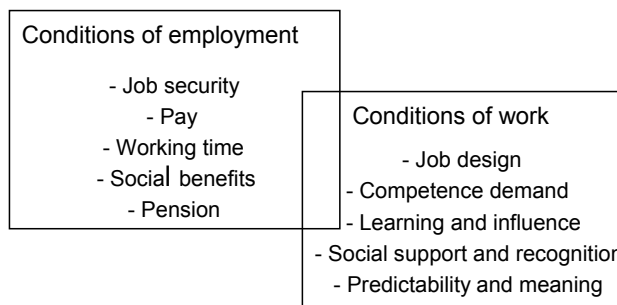
*Conditions of employment* are those social aspects linked to the contract between employer and employee – job security and rules for dismissal, remuneration and pay-systems, precarious or contingent work, working hours such as part-time or full-time, social clauses in the contract concerning vacation, sick-leave, maternal leave, pensions, etc. These are the traditional issues for the unions as well as for the HR department defining the personnel policies and the basic infrastructure for human resource management. It

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<sup>2</sup> World Commission on Environment and Development (1987): Our common future (General Assembly Resolution 42/187), New York: United Nations. (Sometimes referred to as the Brundtland Commission after its chairperson.)

also contains many issues in the classical arena for the conflict between labour and capital. Most of the issues here are directly linked to costs for the company and benefits for the employee. Conditions of employment are shaped by formal ruling through collective agreements, the individual employment contract and legislation. Conditions of employment are to a high degree defined by national cultures and regulations and also specified in the framework of the sector level, for instance via sector agreements. Initiatives in this area are few from all parties on the European level, both the EU legislators and the social partners. Important directives in this area specifically in restructuring, has been the TUPE directive on employee protection in transfers. Considering the relation between labour and capital, the improvement of employment conditions is a win/lose situation between the social partners, *i.e.* between the employers and the employees. At the same time, conditions of employment define indirectly for the employers the 'what and how' of their recruitment of competence.

**Figure 5.1** Key components of conditions of employment and conditions of work



Source: Berg & Docherty, 1976

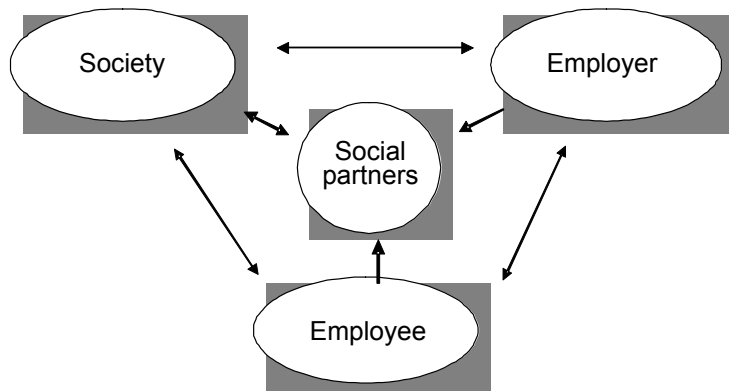
*Conditions of work* are all of the social aspects related to the content of work and the physical, social and psychological conditions under which the work is being performed. The conditions of work are mainly determined by technology and work organisation in the workplace. Work organisation includes such topics as job design, content of work, skill demands, learning possibilities, career paths, internal and external job relations. Conditions of work vary between the nature of the work itself and different occupations and operations; designers compared with production workers in textile industry, production workers in food production compared with the IT industry. However, conditions of work are also in a high degree shaped by strategic business decisions and operational demands supported by managerial structures and organisational design. Conditions of work have importance for the employees; occupational health and safety (OHS), possibilities for development and learning, building and maintaining social relations. Quality of work is a way in which this is measured. Di Nunzio *et al.* (2009) defines the following components of psycho-social working conditions: demands in work, influence over work, social support, recognition and reward, predictability and meaning. Governing work conditions is normally based on minimum standards in different areas such as legislation on occupational health and safety in combination with management and co-operative auditing and

surveillance through works councils and OHS committees. Few conditions are being solved through contractual measures such as collective agreements.

### 5.3 Structures and stakeholders in the social dialogue

Social dialogue consists of communication between stakeholders with different interests and at different organisational, geographical and political levels. For instance, at the micro level at the workplace or in a team or unit in the organisation the dialogue is between management and the individual employees. The way in which this dialogue is shaped is dependent on management practices, work organisation design, systems for human resource management and employment policies and forms of direct and indirect participation. The dialogues on these levels concern operational and human resource issues with a strong individual and production focus. On the other end of the scale, social dialogue is performed between national or European bodies of interest. These dialogues have a more societal and political orientation, setting the scene and conditions for an efficient labour market, organisational development and social justice and inclusion. In between the workplace level and the national, political level, there are structures for social dialogue on both regional and sector levels. On those levels, traditions and mandatory arrangements rather than regulations are the basis for the dialogue. These dialogues are based on the common interest for developing the region or the sector and the businesses and employees in the region or sector.

Figure 5.2 The main stakeholders in labour market issues



The social partners – unions (and other representative forms) and employer organisations – represent the interests of their members (employees and employers) on these issues. The role they play differs between nations and sectors. On all levels (above the workplace) societal institutions are more or less involved in the dialogue. Figure 5.2 shows the different stakeholders.

Different institutions are built up in accordance with national labour market regimes. Examples of national and regional institutions of this kind acting for and influencing

social governance are labour market agencies and intermediaries, agencies for occupational health and safety, institutions for occupational training, redeployment and out-schooling development funds and other financial or competence support for economic and social innovation.

But it is also important to see institutions as more complex phenomena at the macro and meso level in society. At the macro level they consist of a set of regulations and relations including, for instance, the social partners and primarily the shape and contents of collective agreements between the partners. At the meso level they consist of management and local unions and company built-in institutions like works councils, occupational safety and health committees.

A changing European working life in general and specifically in the context of value chain restructuring is a challenge to the institutional settings on all levels.

It is important to realise that the social partners and governments are the dominant players in the area of social governance. Other actors influence the change process in practice, but not in the way in which it is socially governed (demands emanating from other legitimate stakeholders such as owners, customers, technology vendors and organisational consultants).

There are two important discussions on the relations between the players that are both philosophical and political. The first is *the distribution of power* between the players. In value chain restructuring management has the prerogative in defining the 'why', the 'what', the 'when' and the 'where'. Societal and other institutions can exercise some influence in setting the scene with such measures as creating regional attractive locations or national strategies for competitiveness. On the issues of 'how', the employer can be constrained by regulations on social and economic responsibilities for present-day externalities. Traditionally most countries have rulings on such issues as layoffs, working time, minimum wages, occupational health and safety. Several of these issues are being negotiated between the social partners in the framework of national or European legislation.

Another important issue is *the distribution of responsibilities* between the players in the governance system. Should wages be an issue for legislation and or should it be left to the companies or free negotiations between the social partners? What is the employer responsibility *versus* the employee on occupational health and safety? What are the responsibilities of the individuals, their company, their union and society regarding skill formation and upholding employability? Though this last case is a classical and sensitive issue where there are differences between national solutions, there are examples of companies and unions shouldering responsibility for this issue with programmes for the employees and members respectively.

#### 5.4 Regulating social governance

In a European perspective, there are three important levels of regulations that need to be considered on social governance in value chain restructuring. Most important are national laws and regulations – on employment security, occupational health and safety, working time, rights on information, consultation and participation, *etc.* Basically, labour market issues and social issues, in an EU perspective, is the prerogative of the national state. Looking at Europe, we can identify specific labour market regimes where you can group

countries with similarities in regulations and institutions. Dimensions on which there are clear differences between member states are:

- the union density and degree of employer organisation;
- the extent to which (local) unions or works councils have responsibility for employee representation at the company level;
- the extent to which participation is regulated by national law or through collective agreements;
- the regulations on the nature of job security and the division of responsibility between employers and national labour market systems;
- the basis for social security systems from those based on the idea of the welfare state or those systems of a more individual/family-based nature.

There is no one 'European social model' and that is also an explanation why the EU integration on social issues is a very slow process. Even though each country has built its own model, formed after history and culture, there has been a number of ways of clustering and characterising the different models in Europe. Sapir (quoted in Makó, Illéssy, Csizmadia, Kirov & Galev, 2009) suggests the following four different models based on results on a combination of equity (social justice) and efficiency (in economic terms):

- the *Continental model* with strong unions by law, mandatory systems for works councils and employer responsibilities and a strong, but not inclusive, welfare state (AT, BE, DE, FR and HU), characterised by high equity and low efficiency;
- the *Nordic model* with high-union density, collective agreements and a strong and inclusive welfare state (DK, FI, NO, SE and NL), characterised by high equity and high efficiency;
- the *Mediterranean model* with weak unions, mandatory systems for works councils and weak welfare states (ES, GR, IT, PT and PL) characterised by low equity and low efficiency;
- the *Anglo-Saxon model* with deregulated labour market, large differences on regulation between sectors and companies (UK, IE) characterised by low equity and high efficiency.

In this aspect the transition economies both fit into the above-mentioned models as well as generating their own way of establishing a market economy while rebuilding their welfare states and social partnerships.

There is some evidence that the different models also encompass specific institutional ways of regulating and supporting social governance in company restructuring. But it should also be noted that closer inspection reveals major institutional differences inside these clusters. The French regulated system is a long way from the Hungarian newly transformed model. Denmark's model for 'flexicurity' clearly contrasts with the other Nordic countries. Policy improvements and institutional behaviour on a national level in dealing with VCR must of course be adjusted to the specific national contexts.

At the same time there is ongoing work from the EU level in setting minimum standards on different issues – from steelwork to working time. Most important from our point of view is the directive on information and consultation (2002) and the 1996 directive on EWCs. On restructuring issues, the so-called TUPE Directive must be considered. What we have seen in the cases examined in the WORKS project is that considerable time

separates the ratification of ambitions in European regulation and their national implementation in the member states and their becoming an organisational reality.

Companies, especially large ones, develop their own social regulatory systems within the framework of HRM and personnel policies. In some cases these are codified in local collective agreements with unions. Decisions based on consultations in works councils and EWCs can also take the shape of internal company regulations. A specific area is that of codes on corporate social responsibility (CSR) – a growing area for companies, especially transnational, to set up standards on social and ecological behaviour primarily as information for the market. There is a special joint regulation, SA 8000 certification, defining and certifying CSR. This is an issue that has been addressed within the OECD and ILO.

In the following, we will discuss the policy implications for social governance of value chain restructuring for the different stakeholders, the institutions involved, supportive actions, and the need for regulatory systems.

### **5.5 Value chain restructuring, participation and social governance – results from the WORKS project**

The different forms of value chain restructuring are defined by the employer as a response to the organisational challenges arising from changing market conditions and new technology. This is essential to increase efficiency and competitiveness based primarily on shareholder interest – in the short-term or long-term. Social interests come normally in second place and are linked to the question of how human resources may be used in the most effective way. To quote Ramioul and De Vroom (2009: 13): ‘The decisions on clustering and fragmentation of activities of business functions at different levels of the organisation are related to the corporate dynamics aiming at the maximisation of productivity, economic performance and product and process innovation’.

It is not surprising that the organisational case studies show that decision making on restructuring is a management prerogative (Meil *et al.*, 2009). The decisions could be made in many parts of the value chain – depending on if one is moving forward or backward in the chain. It could be both value driven or cost-driven. Governing the restructuring over organisational boundaries is a more complex process than a purely internal restructuring; for example, service level agreements need to be negotiated, transfer of workers could take place, adjustments to new national settings (through offshoring).

The governing of value chains can take many forms – from pure market relations (maximum externalised) to internal organisational hierarchies. Even internally market governance can be used, for instance, through internal competition between sites on productivity or innovation capacity. Information and communications technology (ICT) plays an important role in VCR, making it possible to govern both between the organisations and for monitoring of employees, as in most call centres.

Important general changes where VCR is the driving factor, which may be found in the consolidated and thematic reports is summarised under the following seven subheadings.

### 5.5.1 Organisational fragmentation – from hierarchical structures to networking

Restructuring along the value chain results in the distribution of decision making and social governance for the employees across a greater number of organisations and employers by such means as outsourcing, offshoring, an increased use of subcontractors, and division of companies into subunits. This leads to an increased need for networking along the value chain combined with the standardisation of procedures and knowledge codification and an increased dependence on ICT for co-ordinating functions and managing the value chain across organisations. The operational power is now not to be found in top of each organisation, but with the actor holding the greatest power in the value chain. In textiles this could be the organisation owning the trademarks, and in food industry the retail organisation closest to the market.

When this fragmentation process entails the breaking down of a large organisation into smaller ones, there is a shift in the use of internal labour markets for replacements, careers and personnel development. The organisations become more dependent on external labour markets – either geographically or as a part of their value chain.

### 5.5.2 Return to Tayloristic organisational designs with simultaneous high-skill development

In organisational terms, value chain restructuring shows a bipolar development. One line of development is made up of different degrees of what may be called neo-Taylorism, *i.e.* a work organisation built on division of labour, routinised tasks, and stringent control systems. In the customer services, this can be seen most clearly in its use of call centre technology and organisational principles, and in manufacturing, for example of ICT products, it can be seen through more standardised and industrialised production systems. With these developments, social governance is necessary to lessen and prevent the classical, but still present, physical and psychosocial risks in such organisations – high work intensity, low personal control with resulting stress.

Parallel with neo-Taylorism, there is another stream of organisational development. Those jobs upward in the value chain are experiencing increased knowledge, skills, discretion and responsibility, while those doing less skilled work downward in the value chain are experiencing redundancy, outsourcing and/or offshoring. These creates positive social developments for especially core-workers: upskilling, teamwork and social support.

### 5.5.3 Exposure to market mechanisms

A feature of the VCR is the embedding of more market-oriented mechanisms in organisational relations. Organisational hierarchical structures are exchanged for market relations. This is especially evident in the public sector through privatisation or creating internal market mechanisms. Another element of market exposure is that of bringing the exposure to market and customer demands nearer, even involving direct contact, for many, even all, categories of personnel. This usually underlines the criticalness of time factors – time-to-market as well as time-to-change. In a recent study by the European Foundation for the Improvement of Living and Working Conditions (Eurofound, 2007b) over 60 per cent of

the respondents felt that customers steered their work. On the positive side, intense market and customer relations can improve the meaning of work.

Social governance expands the organisational boundary and becomes an aspect of the relations between service deliverer and buyer – be it a business-to-business relation or business-to-customer.

#### **5.5.4 Employment flexibility**

Part of the value chain restructuring is the increased use of flexible working contracts – either through the direct use of precarious or contingent employment or through subcontractors. Numerical flexibility seems to be a more common flexibility strategy than functional flexibility in the wake of value chain restructuring (Flecker *et al.*, 2009: 2). There is strong evidence from the case study material that unions in the negotiation process tend to prioritise the core working force, leaving the peripheral workers unprotected. But at the same time, flexibility strategies differ between national settings due to the fact that systems and traditions of work time and employment protection differ between nations.

#### **5.5.5 Spatial relocation and offshoring**

Spatial relocation and offshoring is an integral part of value chain restructuring. The case studies show both intra-national and international relocations. Dominating motives for relocation are getting access to specific skills or low-cost competence. Market driven relocations are rarer in the cases investigated. Spatial relocations are especially dominant in the private sector usually through offshoring in production and outsourcing in customer services. If flexibility sets different groups of employees against each other (core staff against peripheral staff) spatial relocation sets different regions against each other (between different sites in a company). Governing social aspects of location decisions are basically issues for regional and national stakeholders. In this there is need for reducing differences based on social dumping. Unions – be it group works councils or EWCs – have difficulty in taking sides for specific sites. It is ‘easier’ when it is combined with an outsourcing.

#### **5.5.6 A more intense change process**

Value chain restructuring is one of many changes in today’s organisations often linked to other processes such as organisational mergers, downsizing, internal restructuring, and the introduction of new technologies. The social implications for employees are loss of continuity in work and workplace relations, the risk of being dismissed and, in this, loss of security and predictability (Di Nunzio *et al.*, 2009). Change management needs to focus both on the organisational change and the human aspects – both for those who are radically concerned (*e.g.* through redundancy) and those less radically concerned (maintaining employment but under new terms).

### 5.5.7 Sector changes and social governance

There are specific challenges for social governance in the different sectors being studied in the WORKS project.

The (European) *clothing industry* focuses on the upper part of the value chain, namely those activities generating high value-added, namely 'non-routine' tasks and functions such as design, logistics, marketing/distribution and prototyping, rather than 'routine' tasks, mainly in production. This also has implications for union membership and social dialogue when high-union density in production, active works councils and collective agreements are changed to a lower density level and more individualisation in the more skilled professions up the chain. Workers still in the lower part of the value chain acting collectively face the threats of outsourcing and offshoring and have a weak position in the dialogue. In the case of SMEs, there may be trust relations built on 'family' values and culture – which is more evident in the southern countries (Flecker *et al.*, 2008; Meil *et al.*, 2009).

The *food industry* shows a heterogeneous development in restructuring. A wide range of measures are adopted by companies in this sector: outsourcing as well as insourcing, mergers and acquisitions, together with an increase in product innovation to meet market demand through closer coupling between production and retailing and to improve product quality. Social problems facing the industry are: (a) flexibility, especially coping with seasonal variations and (b) OHS, especially regarding, for example, jobs in slaughterhouses. The food industry is also a strongly unionised industry with clubs at worksites and regional offices. SMEs are also still an important part of the industry and these have different prerequisites for social governance (Flecker *et al.*, 2008; Meil *et al.*, 2009).

The *IT industry* bares the marks of a new industry being more and more customised and industrialised than the previous two cases. R&D activities are becoming more market-driven and intense, while parts of production are being standardised and offshored. There are signs of competition between sites and regions that is not only cost-based but also competence-based. Social dialogue is to a great extent based on management/employee relations. Being a new and mainly professional industry, unionisation is somewhat lower than in many other sectors, even in the more traditionally highly-unionised countries (Flecker *et al.*, 2008; Meil *et al.*, 2009).

Considering *IT in the public sector*, new public administrative reforms are characterised by privatisation, decentralisation, and by result- and process orientations. In IT services, centralisation to agency service centres and/or outsourcing are the general change policy trends. These changes often call for the social governance of employee redeployment. The effects of this structural change have both positive and negative effects. Changes in customer service include developing different channels for service provision face to face, telephone and internet, and reorganising, developing different competencies for these channels. Privatisation is used in all channels as part of the strategy. Social governance of change in the public sector is primarily based on a traditionally strong job security. Union density is normally relatively high and social dialogue is often well-developed on HR matters. As in the private sector, decisions on restructuring are to a high degree a management prerogative. The adoption by the unions of a defensive strategy against privatisation has on occasion proved to be successful.

### 5.5.8 Occupational change and social governance

Different occupational groups are being affected by the value chain restructuring in different ways. Valenduc *et al.* (2008: 161) define three specific groups:

- knowledge-based (creative) occupations (in the WORKS cases; IT R&D workers, software professionals and textile designers);
- manufacturing occupations (production work in food and clothing industry);
- service occupations (back-office, front-office and managers in customer service and logistics).

In Meil *et al.* (2009) the following participative strategies were drawn out for these groups, in terms of collective and individual strategies. Knowledge occupations are traditionally based on individual strategies due to high skills up the value chain. In the wake of stronger pressures and rationalisation some of them are moving (slowly) to more collective strategies. Manufacturing occupations have on the other side a strong collective tradition (food and clothing being traditionally high-unionised). Service occupations differ between a more collective approach in the public sector and individual in the private sector.

## 5.6 Restructuring processes and social governance – realities and recommendations

Value chain restructuring and its social effects highlight a number of challenges for social governance, the actors involved, their strategies and their interaction. It is important to realise the following factors affecting the possibilities of strengthening social governance in order to support the economic and social sustainability of organisations:

- global competition, technological options and customer demands in many ways define the scope of action;
- differences in the distribution of power between different stakeholders strongly influence defining the character and outcomes of the restructuring process;
- national settings and cultural backgrounds in terms of social dialogue, institutional framework, types of labour market regulations, are still the major determinants of the social dialogue, despite efforts at the European level.

The key effect of value chain restructuring, from the organisational to the global level, is the dismantling of traditional structures and borders on micro, meso and macro levels – new relations between employer and employee, *e.g.* the discontinuance of life-long employment, greater differentiation between different occupational groups and groups of employees, *e.g.* between core and peripheral workers, new modes for organising, *e.g.* from hierarchical to network models), national and regional influence weakening and changing relationships between a company's different stakeholders. From a social governance perspective new roles and responsibilities for and between the stakeholders are being shaped. If they are not, they may well need to be re-shaped.

### 5.6.1 Corporate social responsibility and human resource management practices

There is a growing discourse in the EU around the concept of corporate social responsibility (CSR). The world business council for sustainable development (WBCSD) defines CSR as follows: 'Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large' (Holme & Watts, 2000).

Social responsibility can be economic, achieving profitability; legal, obeying laws; ethical, doing what is expected and avoiding harm; and discretionary, going beyond expectations.

New kinds of business structures such as project organisations, networks, alliances, and virtual organisations have based their success more on concepts such as loyalty and trust, than on formal rules and agreements for behaviour. In this context, a distinction may be made between moral and instrumental value attitudes toward corporate social responsibility or sustainability: 'genuine' decisions are morally motivated, whereas 'instrumental' decisions appear morally motivated, but are actually made out of self-interest, usually in terms of economic gain. Although enlightened self-interest can be an important and legitimate motivator to bring an organisation toward values of social responsibility, self-interest narrowly conceived can lead to attempts to manipulate public opinion by taking on the appearance of concern for sustainability, but not the substance.

Argumentation for managerial moral responsibility challenges the presumption that shareholder wealth confers unilateral privilege. Stressing the commonality between business activity and other forms of human endeavour means recognising that economic activity is subject to fundamental moral principles and responsibilities – an essential requirement for sustainable social action (Whetten, Rands & Godfrey, 2002). Lund-Thomsen (2007) also underlines the necessity of adopting a critical (or moral) perspective of illuminating issues that are more central to other stakeholders than to shareholders. Social sustainability does not have to be contradictory to shareholder values. Socially, and even, ecologically responsible corporate strategies and actions can offer win-win opportunities to various stakeholders. However, many managers still believe in what Hart (2007) calls the *Great trade-off illusion* – that companies must sacrifice financial performance to meet social obligations.

A recent report from the EU research institute in Dublin (Eurofound, 2008) presents the current picture in the formalisation of principles and values regarding CSR, comparing the two main types of agreements. The first type is *international framework agreements (IFAs)*, usually based on fundamental human rights as defined by the core conventions of the International Labour Organisation (ILO), and focussing on labour standards. The second is *corporate codes of conduct (CCOCs)* that are usually unilateral commitments through which the main decision making bodies in companies set up rules of behaviour for managers and employees that reflect their interpretation of CSR. The results show that IFAs have promoted the respect of fundamental social rights among multinational companies and their economic partners, while this is only partly the case for CCOCs. The rather surprisingly high rate of inclusion in both types of documents of provisions for subsidiaries, suppliers and business partners is taken by the report to indicate a growing need for a more effective social regulation in global supply chains. Almost all multinationals have formulated a CCOC in order to comply with US legislation. Such agreements are now

almost standard practice in small and medium-sized companies without having subjected them to a cost-benefit analysis.

IFAs constitute a formal recognition of the of social partnership at global level and provide a global framework for protecting trade union rights and encouraging social dialogue and collective bargaining, and, as such, they may reduce attempts to violate core labour standards, both internally and externally. They create a link between CSR and transnational social dialogue. The IFA development process usually entails a joint approach of negotiating, drafting and signing, depending on individual company practice. Through negotiating an IFA, management reduces a risk to its competitiveness, especially in stock markets considering ethical standards. Regarding CCOCs, employee representatives and trade unions play virtually no active role in the process of their initiation, elaboration and signing of a CCOC. Such texts are wholly management-driven.

The dissemination and monitoring of IFAs involve both social partners and thereby contribute to creating new issues for social dialogue and may be used to identify the possible violation of fundamental social rights in subsidiaries or even suppliers. Management is usually solely responsible for the implementation of CCOCs, though control may be entrusted to external auditors.

IFAs and formal codes of conduct are mainly confined to corporations and larger companies. In small and medium-sized companies, management practice is clearly controlled by the owners, who quite often are also senior managers. Many such companies are excellent examples of social responsibility and social governance (see, for example: Cox, 2009). This was apparent in the WORKS project, especially in the clothing industry in which practically all the cases were from small and medium sized companies. In a Greek case, the owner regarded the workers in his factory almost as his 'extended family' and their conditions of employment were clearly above those regulated by societal legislation or joint agreements between the social partners in the labour market. Partial outsourcing of production to a European transition economy was accomplished without argument (Gavroglou, 2007). In a German case, a company had, together with the unions, developed and was implementing a broad 'sustainability' strategy covering environmental, social and economic sustainability. It was later acquired by another company. The company discussed with their new owner the key importance of the sustainability strategy for the culture and climate of the firm. The new owner agreed that this strategy should still be maintained as long as it did not have adverse effects on their economic results (Krings, Bechmann & Nierling, 2007).

The adoption of codes of conduct/ethics and value statements in companies usually has distinctive consequences for their HRM practices, ensuring that they are given continual directed attention to social sustainability and social governance for personnel development, well-being and employability/re-deployment. These cover such things as competence development systems, company health programmes, out-schooling programmes and the integration of HR in balanced scorecard systems (Becker, Huselid & Ulrich, 2001; Shani & Docherty, 2003).

### 5.6.2 Union strategies on value chain restructuring

Union strategies take different forms depending on the tradition and character of the union as well as the membership structure. Phelan (2007) distinguishes between:

- business unions, organising occupational groups with a basic negotiation strategy for reaching collective agreements;
- welfare unions, organising from a class perspective, often with political ambitions and affiliations building on social mobilisation;
- social partner unionism with ambitions not only to represent members in traditional negotiations but also reaching tripartite agreements and in this influencing national politics.

In a project conducted by ETUI and a number of national unions in Europe an action plan was set up for unions to anticipate and deal with restructuring. The plan encompasses the following steps (TRACE 2007, quoted in Meil *et al.*, 2009):

- obtaining the necessary information on company development, markets, economy, *etc.*;
- anticipation – looking into socio-economic and technological change, often within a specific sector;
- building alliances – with regional/local stakeholders and cross-union/country;
- influencing the decision processes;
- taking action (making proposals, building trust, different kinds of collective action if this seems fruitful);
- reflection – learning and changing union action along the way.

Meil *et al.* (2009: 16) report that many studies on union strategies reveal that, especially on firm level, unions are oriented to finding motives for and alternatives to restructuring, especially relocation. However, often the union is forced to accept the company's competitive situation and management's decision making prerogative. This leads to acceptance of the change and, where possible, of being included in the information and consultation process, mainly in order to negotiate a decent social plan for the change.

The WORKS' findings reveal that global value chain restructuring presents a challenge for the participation of institutional actors and for worker representation. Restructuring in its various forms and the organisational change it imposes, is a management prerogative in the majority of cases examined here. The Nordic countries showed the strongest effect of country regime types on the role of workplace representation in restructuring. Here an 'implicit contract' between labour and management and the embeddedness of collaborative strategies in societal processes played a major role in the form taken by implementation and change. In other countries, sector, occupational group and organisational setting had a strong mediating effect on the role of workplace representation. Although there are nuanced differences in national settings and the institutional frameworks linked to them, the problems or complete lack of ability to deal specifically with the issues surrounding restructuring were more evident in the other countries (Meil *et al.*, 2009).

Many of the cases in this study confirm the results of previous work, for example by ETUI (2006 & 2007) and Phelan (2007) that union representation only plays a marginal role in restructuring issues, not least due to the fact that representation is weakened when the relocations involve different countries, labour markets and companies. There is a glaring lack of union participation across the cases in restructuring or influencing how work is

divided along the value chain. Another development is that even in regulated environments, there are several examples of employers aggressively attempting to bypass legislation, for instance with regard to plant closure, employee transfer, informing workplace representatives on impending restructuring plans and holding regular consultation meetings.

International networking in the form of EWCs or structures reaching beyond national boundaries was not visible in the cases here. The effects of European policy initiatives were rarely evident. One exception was the TUPE regulation on worker transfer. Particularly in weaker systems of regulation such as the UK, instruments such as TUPE are important tools for workplace representatives. Even in other contexts they serve as a benchmark. In stronger systems such as those in Scandinavia or the corporatist regimes, the target is then to surpass TUPE requirements and provide more extensive compensation or protection (Meil *et al.*, 2009).

There were no cases of actual prevention of restructuring. Restructuring rarely involves the legally based structures of work councils or occupational health and safety committees – both legally anchored in EU directives and national legislation. The normal situation is the provision of information on the decision, not consultation before the decision.

Given the situation of different national settings, union structures and memberships, union action to realise a socially sustainable development in connection with value chain restructuring could take the following forms:

- collective action on sector and European level, mediating and securing minimum conditions of employment in order to minimise the effects of organisational fragmentation and competition based on a 'race to the bottom';
- collective action on national (and regional) level, supporting an active labour market policy (including training, redeployment measures) supporting the labour market value of individuals;
- organisational development; opening up membership for such groups as precarious or contingent workers, self-employed, as well as creating effective structures to meet the development of new sector structures;
- strengthening the relations between union and company level, supporting works councils and local union representatives to be proactive in restructuring on a collective basis, at the same time supporting individual members in developing their labour market value.

Unions need a constant process of re-evaluating their actions – there is no one given strategy for all occasions – proactive involvement must be an element alongside more defensive strategies. Collective action needs to be developed side by side with coaching and support for individual members. Focusing on conditions of employment can be important in certain situations while focusing on contents of work in combination with production strategies can be successful in others.

There are, of course, realities to be taken into consideration in developing proactive union strategies on restructuring:

- the yoke of tradition – the attitude that it is not our (the union's) responsibility – it is up to management or the state to solve the issue;
- not our competence – the union has too little skill, or involvement;
- not our priority – employment comes before conditions of work;
- not an option – employer opposition is too strong or it requires unavailable or unjustifiable union resources;

- too complex – in industrial settings, good conditions of work might lead to fewer jobs (considerable layoffs, and the elimination of entrance and retreat jobs);
- too inopportune – no politic or possible now, to be reconsidered at later date, *e.g.* after the global recession.

### 5.6.3 The role of the European Works Councils in restructuring

EWCs were established through the EU Directive of 1994 for companies with operations employing more than 1,000 employees in more than two European Member States. The purpose of the EWC is for management to inform on transnational company matters. For many, a key aim of EWCs has been to develop an industrial relations system at the European level (Lechler, Nagel & Platzer, 1999). Authors have also seen EWCs as opening up possibilities for unions to counter the internationalisation of capital (Knutson, 2004) and open up new channels for employee involvement (Blanpain, 2002). Huzzard and Docherty (2005) were interested in three issues: first, the benefits of EWCs as perceived from both employee and management perspectives; secondly whether EWCs have evolved as genuine forums for information, consultation and negotiation; and thirdly the effects of EWCs on HR/IR systems: have EWCs become integrated within existing national systems, or will they become a unified, convergent mode of industrial relations engagement at the European level? They argue that although EWCs appear to provide useful opportunities for transnational trade union networking, present studies indicate that they do not function as a means for labour to significantly check the power of multinational capital. From a critical perspective, the EWCs can plausibly be seen as a management tool for legitimising and facilitating rationalisation and restructuring in manufacturing and as a tool for ‘engineering’ corporate culture (Kunda, 1992) in services (including retailing). There is little evidence, moreover, to suggest the evolution of transnational bargaining structures through EWCs or the integration of EWC procedures into either formal corporate or HR decision making.

Additional positive advantages of the EWCs are that they enable the building of cross border networks among employee representatives. EWCs also offer opportunities to develop cross-national policies for action, for example, arriving at a common front on a restructuring proposal. National industrial relations cultures may have a strong effect on EWCs, particularly in Continental Europe. Some researchers have argued that EWCs constitute a ‘potentially transcendent moment’ (Lechler *et al.*, 1999: 18) prompting institutional actors to refocus their activities at transnational rather than national levels. In effect this is a process of the Europeanisation of industrial relations. EWCs are posed as ‘the most dynamic pole within the trans-nationalisation of industrial relations ... and will constitute a core element of any future industrial relations’ (Lechler, Platzer, Rueb & Wiener, 2001: 120, quoted in Cressey, 2003).

On the employee side, unions have actively supported the directive and seen potential benefits in cross-border collaboration with their counterparts. Some have even seen the prospects of transnational bargaining (Lechler *et al.*, 2001). The most important future EWC developments may turn out to be the following:

- the increasing importance of an attitude which stresses the ability to reach agreements and compromises;

- a clearer and more distinct role for EWCs with respect to national representation bodies – that is, a move towards an integration between the different representation levels, overcoming the initial difficulties and ‘fights for dominance’ that are sometimes reported; and
- some sort of collective bargaining entitlements. These will probably not concern pay and conditions of employment, but rather wider aspects that might need a European-wide framework of regulation, such as health and safety norms, or new ‘participatory’ issues (*Network for union democracy*, CGIL website, February 2004).

Most researchers appear to accept that there is considerable variation in the functioning and operations of EWCs (*e.g.* Weiler, 2004). Regarding EWC practice, broadly speaking, the representatives in many companies formed two clusters; a ‘northern’, more co-operative cluster (Dutch, German and Scandinavian) and a ‘southern’, more adversarial cluster (Belgian, British and South European). Although the EWC is formally limited to international issues, national issues are often allowed on the agenda. The EWC have a definite role in promoting understanding between the unions in different countries, though it is often laborious process to arrive at common understanding and a common position.

Studies on the experiences of building and using EWCs (Weiler, 2004; European Foundation, 2006) have found that:

- restructuring decisions are mainly taken on a transnational level, while the effects such as social consequences are dealt with on the national level according to the national IR system;
- information on restructuring works, but there is some debate on how much information is given on a specific relocation decision;
- the consultation process differs between companies and is dependent on benevolent employers and/or active trade unions;
- consultation on restructuring normally comes too late in the process when the decision is made and the EWC is not really considered a forum for decision.

Regarding EWC practice, the limitations in the involvement of the EWC in strategic decisions is explained with the high speed of the decision processes, for example in acquisition deals. On occasion there has been criticism from the EWC members regarding how management has provided information on structural changes such as the transfer of production from one country to another. In sum, gains have been registered on both sides. From management’s perspective, EWCs have afforded not only the opportunity for better quality information exchange and dialogue, but also for a broadening of corporate culture, particularly in the service sector. In manufacturing, it has also facilitated processes of rationalisation and restructuring. As to the employee side, transnational employee side networks appear to have become established as a direct result of EWC activity. There is little evidence, moreover, to suggest the evolution of transnational bargaining structures through EWCs or the integration of EWC procedures into either formal corporate or HR decision making.

There are two immediate weaknesses in EWCs in relation to value chain restructuring. Transnational restructuring involving offshoring outside Europe cannot be handled. Secondly, transnational co-operation in small and middle-sized companies are not covered. Both these situations have been frequent in the sectors we have looked into. Involvement

of EWCs in our restructuring cases has been rare. There were very few comments on EWCs at all in the WORKS study. This may reflect the fact that in some sectors the companies participating in the study small and medium-sized companies with less than 1,000 employees and were thus not included in the EWC Directive. It may also confirm Weiler's results that EWCs are not always informed in advance on restructuring and acquisition cases due to the speed and sensitivity of these issues.

#### **5.6.4 Improving information and consultation on company level in the national context**

There is considerable variation in information provided and consultation conducted during the restructuring processes in the cases in WORKS. The variations are due to labour market regimes and national traditions. The processes are more elaborated within the Nordic model than the Mediterranean or the Anglo-Saxon. Some sector differences are also evident – especially between private and public sectors. The higher unionisation and the political and regulating nature of the public sector seems to support information and consultation processes more than in the private sector, that is driven more by (short-term) shareholder interests. The union density and the presence of a works council tradition are other factors that influence the level of information and consultation. Company values, legitimised by the company owner in a SME or a CSR-based management strategy in a larger multinational company, play a key role in the cases in which they are present.

The minimum directives (2002/14/EC) stipulate the employee representatives' rights to information and consultation on restructuring, among other things: 'The directive is intended to enable employees to defend their jobs through an effective, standing and regular procedure for information and consultation on recent and probable developments in the activities of an undertaking. The procedure must cover the company's financial and economic situation, employment developments and, in particular, decisions likely to lead to major changes in the organisation of labour' (ETUI-REHS, 2007: 83).

The directive has, over a period of five years, been transposed into the different national systems of industrial relations, social dialogue and participation. Not all countries have made the necessary provisions (ETUI-REHS, 2007). Two problems identified are: firstly that workers have great difficulty in taking the initiative in setting up bodies of interest (unions, works councils) especially in SMEs and secondly the definitions of and the practical arrangements concerning 'information' remain unclear (Ales, 2007).

Developing general structures and a practical content of information and consultation is an ongoing process. Setting up minimum standards – on European, national and/or company level is one way of supporting the process. However, it falls finally on the involved stakeholders (employers and employees) to establish the dialogue as an effective part of a social governance system.

With regard to 'information' and 'consultation,' the WORKS cases show that there is a great difference between the stipulated demands (either from the EU Directive or the national legislation) and the practical outcomes. Even in sectors with strong unionisation, such as food and clothing, the cases illustrate the long distance between the minimum regulations and the realities at the workplace. The most evident aspect is the issue of when and what information and consultation on restructuring should take place. From an employee point of view, the process comes in too late and concerns too little.

The first challenge in the restructuring process is implementing a true consultation process both on the restructuring itself and its outcomes. The arguments are both based on social and efficiency motives. By involving the employees in early stages of the restructuring process, preventive actions can be made in order to create understanding and acceptance of the change. Through this 'early warning' employees have the chance to prepare themselves for job changes and dealing with the risk of redundancies. Finally by early information and consultation, management has the opportunity to use a more comprehensive knowledge in the organisation on the proposed change. Obstacles from a management perspective arise in those instances where the proposed change, *e.g.* outsourcing entailing redundancies, might stir up negative and non-constructive reactions amongst the employees. These kinds of restrictions to a full and early transparency on the change make it even more important to have a system of information and consultations to representatives – in such cases constrained by a certain level of non-disclosure for the worker representatives. Such kinds of restrictions are already being formulated in national law and sector agreements.

On the other hand, in the information and consultation process, workers representatives need to have knowledge and be aware of the business strategies and market realities. That needs training and sometimes external experts supporting the unions and/or the local partners in the change process.

Developing this ambition of a more proactive and change-oriented co-operation in restructuring needs support from stakeholders such as national institutions, unions and employers. Implementing and monitoring the effects of the minimum level of the EU directive on information and consultation is a first step. A second step could be the use of best practice showing the positive side of consultation for both companies and employees.

The second challenge on the information and consultation system is the organisational fragmentation and flexibility in the wake of value chain restructuring. The greater the number of actors in the value chain, the less the scope of action for each actor, company or worker representative. Decisions that previously had been in the hands of the employer are in an increasing degree being regulated in agreements, for example, service level agreements between different employers. Another concrete issue, also illuminated in Di Nunzio *et al.* (2009) is the more complex situation on the premises of work. When employees working in the same location and in the same work process have different employers, uncertainties arise on the responsibility for location and process related occupational health and safety issues.

This creates the need for other forms of co-operation, especially regarding the conditions of work, for instance on occupational health and safety issues, especially those linked to the premises. The increasing use of ICT in the co-ordination is another cross-organisational aspect where discussions on usability and health aspects on ICT systems need to involve a number of actors across the chain.

An even more intrinsic issue is how to achieve the integration of market and customer demands into the work process and work environment. The conditions of work, especially in services, are ever more defined by the customer or the purchaser. In the value chain service level agreements are used between the actors. These need to be negotiated – not only between the purchaser and the subcontractor but also they must be on the agenda for information and consultation throughout as part of the employer/employee dialogue. From a social governance perspective, service level agreements need to be supplemented by a *Social Level Agreement*.

### 5.6.5 Social dialogue and the European level

Besides setting standards on formal procedures in the information and consultation process, there are a number of initiatives at the European level concerning the social governance of restructuring.

At the sector level, there is a long tradition of social dialogue at the European level. In the WORKS cases from the agricultural, textile and clothing, postal and railway services sectors, the European social partners have primarily taken joint initiatives on employment, vocational training and occupational health and safety (OHS). These are issues characterised by joint interests on sector development, mainly securing supply of necessary competence in the sector. Other issues, such as OHS, are traditional areas of co-operation between employers and employees.

The availability and supply of knowledge to the value chain is an important factor in restructuring from a regional perspective. The locating of business functions within the value chain is dependent on access to knowledge. The social partners with their local knowledge and networks, together with regional actors on training and employment, may play important roles in this decision making. This is especially evident in the upper parts of the value chain, for example, regarding designers and seamstresses in the clothing industry, and co-operation between universities and private laboratories in the ICT sector.

Furthering the development of the European sector dialogues could be seen as a natural step in value chain restructuring. By taking a sector perspective, conditions of employment and work can be developed in a coherent way as the number of relations between the actors in the sector increase. In this way sector co-operation becomes a successor to the earlier internal organisational activities.

Changes in the character of a sector may pose special challenges for the sector dialogue concerning value chain restructuring. The most evident example of this is IT services that are becoming a sector in itself. Companies are offering services that earlier were parts of the IT user company, together with other administrative services.

In the 1980s, social dialogue activities started at the cross-sector level. Since then they have developed through the 1990s in terms of joint actions in interplay between the European social partners and the European Commission. As a regulatory form we find three types of initiatives ([http://ec.europa.eu/employment\\_social/social\\_dialogue](http://ec.europa.eu/employment_social/social_dialogue)).

The agreements with the highest 'status' in terms of legal backing are those negotiated between the partners and then implemented by an EU Council Directive. Agreements with directive status cover parental leave (1995), part-time work (1997) and fixed-term contracts (1999). From 2000 there have been autonomous agreements negotiated on steelwork (2002), work-related stress (2004) and harassment and violence at work (2007). The status and implementation of these are dependent on the national social partners. Finally there are joint statements in the form of 'frameworks of action' with no binding effect on either the European or the national social partners. Frameworks of action have been declared on the lifelong development of competencies and qualifications (2002) and gender equality (2005).

Value chain restructuring does not evoke specific needs for specific regulations in these areas at European level. It highlights the general need for both cross-sector and sector activities dealing with restructuring and its effects. The fragmentation of organisations and the flexibility of the working force in the wake of VCR need a holistic view on employment, work organisation, working time arrangements and OHS. Value chain

restructuring is one of many factors leading to a need for an integrated approach to the issues of competitiveness and quality of life, conditions of employment and conditions of work, employment and educational policies.

In many cases the social dialogue also needs to be supported by resources and competence – from the social partners themselves or through public funding. The European social fund is one important source. Problems and challenges in VCR as seen in the WORKS project could form a basis for both national and transnational ‘value chain projects’ involving different actors in the chain in development activities rather than one or several organisations with the same type of operations.

#### **5.6.6 Towards new roles, relations and responsibilities in social governance**

Value chain restructuring is one of the major characteristics in the way organisations meet the challenge of global competition and technological development. Governing this process in a socially sustainable way is about using the human resources as effectively as possible in the framework of competition and developing jobs in a just and inclusive society. Conditions of employment and conditions of work are in many ways moving in a twofold direction. New responsibilities and roles for, as well as, relations between the stakeholders need to be established.

##### *Starting from the individual*

Organisations are made up of individuals. Individuals learn directly, organisations indirectly through their individual employees. Individuals enter, work in and leave the labour market. The concept of Europe being the most competitive knowledge society is dependent on its citizens being knowledgeable. On the other hand, many features of value chain restructuring put individuals at higher risks with more demanding and insecure jobs. In a knowledge society built on a more fragmented work organisation, the individual is to a greater extent exposed to changing market demands and technological change. One important aspect of value chain restructuring is the abdication of the employer’s responsibility for human resources (employees) – through outsourcing and the use of subcontractors, through flexible forms of employment.

‘Lifelong learning’ and ‘employability’ have for a long time been catchwords in the European discourse. The challenges of value chain restructuring in the framework of a knowledge society are very much about societal actors creating support for individuals’ development to secure and develop their value on the labour market. In this perspective, social governance is not a so much an issue of patriarchal protection of the employees, but more about releasing the potentials of the individual. It is not about full exposure to the market forces, but supporting the individual in a constantly changing environment. It could be seen as the true meaning of the concept of flexicurity – in the relation between the individuals and their labour market careers.

##### *A new deal on the labour market*

The discussions on the concept of flexicurity attempt to attain a new balance between the company’s need for flexibility (numerical and functional) and the employee’s need for

security. The concept does not recognise the company's need for stability (security) and the employee's need for flexibility (for instance in work-life balance). Taking flexicurity one step further, linking it with restructuring across the value chain, there is a need to strike a more comprehensive balance involving employees, unions, employers and national and regional stakeholders. This means a change in roles based on the individual being responsible for her own value on the labour market, regardless of the form of employment. This needs to be supported by the different stakeholders. In different labour market regimes different solutions must be sought. What we can identify is a development for more general solutions, lifting off the direct responsibility for the individual company, for 'externalised' strategies. This could be done through sector or regional initiatives, building on insurance systems or stronger national legislation.

*From defensive negotiations to offensive co-operation on company level*

On company level the social partners, employer and employee representatives in works councils, must look for a more offensive approach. Social governance needs to be forward looking, proactive, in the framework of sustainable organisations. Information and consultation must not only deal with defending jobs, but focus more on developing jobs and individuals. In this, the development and adoption of company social responsibility can be both a cornerstone and a driving force for grappling with these issues.

*Social governance across the value chain*

In developing social governance across the value chain, structures could be sought on a cross company level. We have mentioned the concept of social level agreements between the actors in the chain. A more elaborate social dialogue could be tried between the actors in the chain as has been tried with great success in the public health care system between primary care, hospital care and municipal aftercare. These experiments have generated marked improvements in efficiency and effectiveness (Lifvergren, Huzzard & Docherty, 2009). This kind of social governance expands traditional limits of employer responsibilities as well as the scope for employee representatives and the need to be well defined. Initiatives in this direction could be launched on the sector level.

*Social governance in a regional perspective*

Traditionally social governance concerns the company and its stakeholders in the framework of European and national regulation. Value chain restructuring involving the social actors on regional level has the purpose of being active on the challenges of offshoring. Mobilising regional resources through co-operation between companies, training and labour market organisations is an important complement to other forms of social governance. Important areas for co-operation are adaptation, supporting mobility between companies, integrating vocational training, higher education and human resource management.

## 6 The future of work in European knowledge societies: policy implications

DUCO BANNINK / ANTÓNIO BRANDÃO MONIZ / MARGARIDA RAMIRES PAULOS /  
BETTINA KRINGS / LINDA NIERLING

### 6.1 Introduction: towards knowledge societies

The regulative systems of the industrial era were national systems of more or less intensive, public or tripartite regulation combined with more or less strongly developed branch-level systems of bipartite or tripartite regulation of work. Regulation concerned 'employment protection' and 'unemployment protection' (Estevez-Abe *et al.*, 2001): the stability of the work relation, mutual rights and obligations of workers and employers and social protection outside the work relation. The main WORKS research interest is work in the knowledge society. In the knowledge society, nation and branch partially lose their regulatory capacities and regulation shifts away from the regulation of the existing work relation to activation: supporting the creation of new work relations, *e.g.* by policies aimed at the improvement of labour supply quality (education, training) and by increasing the flexibility of labour regulation (enabling employers to more easily hire new workers).

The main research question that we address in this paper is: what is the nature and quality of work organisation in the knowledge society and what policy implications can be derived from that? In this paper, we are particularly concerned with European policy implications. How does Europe and how do European welfare states need to respond to the changing conditions of the knowledge society?

We answer this question by recapturing a number of important findings of the WORKS project and by revising a few previous discussions. Already within Europe, and much stronger between Europe and the global world, we see differences as concerns the nature and quality of work. While work generally has high quality and strong substantial content in the richer, Old EU Member States (EU-15), it is more problematic in the developing New Member States (EU-12) and in other parts of the world. But differences also exist within these groups, *e.g.* between different economic branches.

Work quality differences tend to go along with differences in price. To a great extent, as was observed in the WORKS organisational case studies, this evokes value chain restructuring. By restructuring their value chains, producers seek to capitalise on differences between the central and decentralised, front and back, supply and demand actors included in these chains. Although value chain restructuring responds to economic pressures, a simple shift of production towards cheaper production factors cannot account for the full picture.

Regulatory and institutional factors also come into play. Nations with institutions strongly supporting skills formation and labour quality and stability, seem to specialise in the production of the relatively complex functions of a value chain (*e.g.* complex industrial

production). Nations with institutions supporting labour flexibility seem to specialise in the production of the functions of a value chain that are closer to (flexible) markets (*e.g.* just-in-time production, logistics, but also banking). Both types of institutional and regulative structure have their competitive advantage and disadvantages.

These findings have implications for policy. Companies restructure their value chains in such a way that their price and quality requirements are covered. If a high level of flexibility and low price is required, production may shift to weakly regulated labour markets. If a high level of knowledge intensity is required, production may shift to a regulative context that supports strong skill formation (possibly at the cost of higher prices).

The policy implications of this picture are twofold. In the first place, the nation can no longer fully control the nature of work in the company. Companies strategically respond to regulatory institutions and shift production to the most optimal context in terms of price and quality. In other words, it is not the nation that determines overall work quality in the value chain, but the company. In international value chains, work quality regulation slithers away, from state to producer. In Section 6.2, we discuss the nature of value chain restructuring in the knowledge society and its consequences for the governance of work. We go into the nature and quality of work in different economic contexts (flexibility and knowledge intensity pressures) and policy contexts (labour regulation and social protection) and we discuss how companies make strategic choices and restructure their value chains in response to differences between labour and product markets in Europe and in the wider world economy. We conclude by discussing the problems of work regulation across sector-level, European and wider international borders. Where work regulation moves away from state influence, we argue there may be room for a 'new corporatist' governance arrangement that transcends the level of national work regulation.

In the second place, nations differ in their competitive advantages and disadvantages, also within the EU. Social and labour market policies support different types of production. In Section 6.3, we go into this issue and argue that the implications for social and labour market policies in the knowledge society are differentiated. Section 6.3 outlines what distinctions between welfare policy types are relevant in a knowledge society context. We draft a typology of welfare policy and the associated economic action in the knowledge society. These types are no longer tightly linked to nations. Intra-nation, *e.g.* sectoral differences in regulation and work quality have grown and national, state influence over work regulation – although still present – has decreased.

Is, in such a context, a uniform policy project leading to European integration and social policy convergence feasible? Or should we consider differentiated policy directions that capitalise on Europe's differences? In Section 6.4, we outline differentiated scenarios of the development of social and labour market policies and their implications for the nature and quality of work. We draw conclusions about the desirability of a convergent or instead a divergent Lisbon Strategy of growth and jobs on the basis of the previous discussion and we discuss the leeway for and the pros and cons of a 'new corporatist' response to the changes in work organisation of the knowledge society.

## 6.2 The knowledge society and its implications for work organisation

In the introduction, we stated that the nation state no longer fully controls the nature of work in the company. The institutions of the state – regulating the work contract, hours, pay, and skill formation – form the strategic background of company choice. Companies act ‘reflexively’ (Giddens, 1998). Companies organise work in such way that an optimal equilibrium of price and quality or, more broadly, nature is found. Doing so, companies may decide to restructure the value chains they are integrated in and shift parts of the production process to another institutional context, where the set of regulations is optimal with respect to the task at hand. In the end, it is the company that determines overall work quality in the value chain and work quality regulation shifts from state to producer.

In Section 6.2.2 we discuss the nature and quality of work in different sectors and business functions. This illustrates how technological factors impact the nature and quality of work. In Section 6.2.3, we discuss companies’ decisions with respect to value chain restructuring. Value chain restructuring is approached as a means the company uses to optimise the production process in terms of prices and quality, in response to (1) the changing knowledge and flexibility requirements of the economic context and (2) the response options the policy context of labour regulation and social protection offers.

We conclude by discussing the consequences of this value chain restructuring for work regulation across sectoral, European and wider international borders (Section 6.2.4). We argue there may be room for a governance arrangement that may be called ‘new corporatist’ in which labour regulation is arranged following the borders of exclusion and inclusion of the value chain.

Before moving to our actual discussion, we first (Section 6.2.1) present an analytical model of work organisation at the company level. This model is used, in the subsequent sections, to clarify company work organisation in the knowledge society.

### 6.2.1 Model of work organisation in the knowledge economy

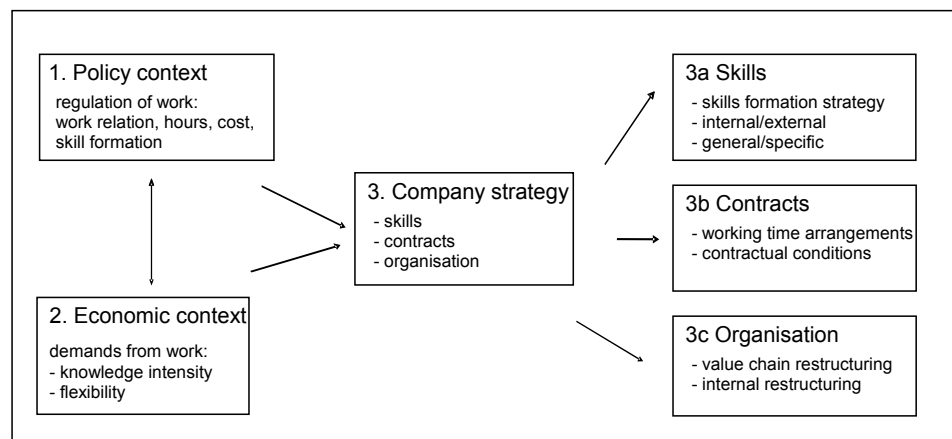
In a society in which information sharing becomes easier, neither the physical integration of various functions in a single location nor the organisational integration of functions within a company is as strongly required as before. This enables new responses to pressures that the company experiences. Social and labour market policies, on the one hand, and economic considerations on the other, structure this response and accordingly the organisation of work at company level. Firms respond to these pressures by implementing changes in the nature and organisation of work including, if they are able to, the restructuring of the value chains they are integrated in. In other words, the changes in work and work organisation at company level are determined by the prevailing production and policy regimes and these regimes are interrelated. This line of reasoning corresponds to the theoretical approach of the well-known project on ‘Varieties of capitalism’ (Hall & Soskice, 2001).

Hall and Soskice aim at explaining company strategies, primarily in the field of skill formation and innovation strategies, with reference to the market and policy environment companies move in. This environment supports specific company strategies, while limiting the room for other strategies. These arguments show resemblance to the work of Esping-Andersen (1990). He, although using a different typology of systems and drafting the analysis at a higher level of aggregation, argued that the social and labour market

policies of a welfare state affect the direction of economic development and the level of social equality of these nations. Combined, these approaches to social and labour market policies underscore the importance of the economic and regulative context of companies and economic actors in general for their decisions concerning the nature and organisation of work. This is our main analytical research question: how do knowledge-based society pressures – pressures of work flexibility and knowledge intensity – affect the nature and organisation of work, in different contexts of interrelated production (economic context) and policy (regulative context) regimes?

Companies try to cope with the requirements of the knowledge society, among other things by implementing changes in the organisation of work. Social and labour market policies, on the one hand, and economic considerations on the other affect the strategic choices companies make with respect to the nature and organisation of work at company level. The production regime defines the economic environment in which companies move. A company's customers, competitors, suppliers, and traders are located in the economic environment (Scott, 1995). The primary pressure exerted upon companies is the optimisation of the price and/or quality of their products (*ibid.*). The policy regime, on the other hand, defines companies' regulative or, broader, institutional environment. In the regulative environment, the formal rules and regulations of the state or semi-public regulative bodies are located, while the broader conceptualisation of an institutional environment also includes the informal norms of habit and appropriateness that are present in society (*ibid.*). The primary pressure exerted upon companies is conformity (*ibid.*; see Figure 6.1).

Figure 6.1 Model of company work organisation strategies in the knowledge society



*Policy context*: social and labour market policies structure how the nature and quantity of labour supply is adjusted to the nature and quantity of labour demand or the other way around. The 'Varieties of capitalism' literature makes a distinction between two main routes of connecting labour supply and demand. In so-called 'co-ordinated' systems, various institutional arrangements exist in which the mutual adjustment of labour supply and demand is organised. Decision making on these issues is to a significant extent collective.

These systems are characterised by institutional support for relatively stable labour relations, a relatively high 'asset specificity' of mutual investments in the labour relation (with respect to skill formation for instance), and as a result, the formation of 'deep', and specific skills supporting an incremental style of innovation (cf. Estevez-Abe *et al.*, 2001). 'Uncoordinated' systems on the other hand are characterised by institutional support for flexible labour relations, a relatively low asset specificity of mutual investments and as a result the formation of broad and 'general' skills supporting a radical style of innovation. Not only the extent of co-ordination of labour market policies determines the feasibility of varying company strategies, also the extent of social protection/provision does so. These two elements (labour market co-ordination and social protection level) constitute the policy context of companies.

*Economic context:* the economic context of a company defines the intensity of knowledge that is applied and the extent of flexibility that prevails in a branch. It determines the requirements of companies in the branch with respect to the type of skills and labour supply that is needed in order to be economically successful. While the IT branch in general applies general knowledge and skills and shows high flexibility of production and market relations, the smaller subfield of municipal database systems applies highly-specific knowledge and skills and shows relatively stable economic relations between the purchasers and providers of these services. The flexibility and cost requirements of the market and the knowledge intensity of the products and applied production technologies constitute the economic context of companies.

*Company level:* companies find themselves in a context defined by (1) the policy arrangements structuring labour supply and demand and (2) the economic demands of their specific product markets. It is in this context that they take decisions concerning the actual flexibility of work, skill formation, the structure of internal labour markets (ILMs) concerning actual work flexibility, working time arrangements in general and the conditions of work and concerning the spatial and contractual organisation of work and, possibly, the restructuring of value chains.

We build upon this model in the next sections, starting with differences of the nature and quality of work between branches and business functions in Section 6.2.2. We then discuss the strategic choices companies make in response to this introduce the policy context in Section 6.2.3 and address the policy implications of this analysis in Section 6.2.4.

## 6.2.2 Nature and quality of work in different economic contexts

In this section, we discuss how the introduction and use of (new) technologies affects the nature and quality of work. We consider these technological changes primarily a response to changing economic pressures (number 2 in the above presented model). Technological changes primarily affect the company strategic decisions with respect to contractual conditions (3b) and skills formation (3a). The impact of technological changes upon work nature and quality is differentiated in varying economic contexts. Economic context is characterised by the level of flexibility requirements (high/low) and the level of knowledge intensity in production (high/low).

**Table 6.1** Economic contexts

		FLEXIBILITY	
		High	Low
KNOWLEDGE INTENSITY	High	Knowledge-intense flexible production (1)	Knowledge-intense inflexible production (2)
	Low	Simple flexible production (3)	Simple inflexible production (4)

In the WORKS project, it was found (Moniz, Paulos & Bannink, 2008) that the business functions of Information and Communication Technology (ICT) and of design (case studies in the clothing industry) show relatively high levels of knowledge intensity, but also relatively high levels of market-flexibility demands (economic context type 1). The economic context of these business functions is characterised by high market-flexibility and high knowledge intensity. Company strategies with respect to skill formation (company strategy 3a) show relatively strongly elaborated internal labour markets (ILM) with a relatively strong emphasis upon skill formation, both externally and internally organised, when compared to other economic contexts. The substance of skills is relatively strongly specific, related to the knowledge-base of the own company. As regards working time arrangements (WTA, one of the aspects of the contract, company strategy 3b), relatively strong employee autonomy with respect to working hours is found. This high autonomy, however, goes along with relatively strong time pressure in response to customer orientation – both intra-firm and in the market. This working time arrangements strategy shows an exchange of a strong accommodation of working time to the demands of production/customers on the one hand, compensated by a relatively high autonomy of employees to adjust their working hours individually on the other. In terms of value chain restructuring (company strategy 3c) there is a difference between the design and IT functions. In both cases, knowledge intensity of the work is high, but design is mostly kept inside the company, while IT is often purchased from elsewhere or made internally independent or – in the case of an IT specialised company – the function is executed at a purchasing company's location. It appears that design is seen as the main core of the company's identity and economic value, while ICT is a non-core, albeit highly knowledge-based, business function.

Company strategies are almost completely the opposite when the business function of production is concerned (economic context type 3). Production is located in an economic context where market flexibility, customer orientation, just-in-time delivery *etc.* are increasing: market flexibility is relatively high. The knowledge intensity of the production process is mostly relatively low (notwithstanding the sometimes high knowledge intensity of the actual product). In this context, companies tend to show strongly limited career paths and a virtually lacking emphasis upon skill formation (company strategy 3a). If training is offered, it mostly concerns operational issues related to the individual company's working procedures. Relatively low worker autonomy with respect to working hours is observed (3b). Next to that (3c), there is a relatively strong tendency of offshoring the function to other locations (with cheaper labour regulation) or outsourcing the function and the associated market flexibility requirements to other organisations.

Market flexibility requirements in the clothing sector are relatively high as compared to other branches, while knowledge intensity of most of the work is relatively limited (economic context type 3). In the clothing industry a strong tendency of labour dualisation is shown. Production and operational work are often outsourced to policy contexts where wages are low and labour regulation is limited (company strategy 3c). Worker autonomy with respect to task execution and time management in these outsourced units is often severely limited, while tasks and working time are structured by the requirements of the production process and of the highly-volatile market demand (3b). Skill formation is limited, which is also explained by the relatively flat functional hierarchy that does not allow the development of elaborate career paths (3a). Design and logistics functions in clothing, on the other hand, are kept in-house (3c). The working conditions allow greater task and time autonomy than in production, although time pressure is relatively high: working time arrangements accommodate both market flexibility requirements and employee work-life balance requirements (3b). Especially in logistics, there is a relatively strong emphasis on skill formation, which concerns internally formed, specific and tacit knowledge and skills to accommodate the specific demands of the market (3a). In design, the same type of skill formation is used to support that the identity of the designs of a company is defined. Next to that, externally formed, general and codified skills are related to logistics methods and techniques. Skill formation in logistics leads to an increase of the knowledge intensity of work.

While labour dualisation is feasible in clothing because there is a relatively strong difference with respect to knowledge intensity of the work and a relatively strict organisational separation, this is not so much the case in the IT branch. IT projects are often conducted on site for customers. Often, there is intensive knowledge sharing between the IT producer and customer. This does not allow the company to employ their work force in a highly-flexible manner, without taking into account the working time requirements of the staff. At the same time, however, customer orientation increases while customer's demands with respect to the flexibility of the product and production process are highly-flexible. This leads to a set of working time arrangements that combines a high level of work-related flexibility (working over time and at irregular hours, with strong peaks related to project deadlines, *etc.*) with a high level of employee-related flexibility (compensatory arrangements for overtime, in order to come up to care and other private obligations). Skill formation strategies appear from the case studies to be less well-developed than expected. In both the IT organisational case studies and the occupational studies, it is reported that the responsibility for skill formation is individualised. Employees - working as pseudo-independent workers - need to make their own investments in skill attainment. A similar pattern actually occurs in relation to additional contractual conditions such as pensions, which is often also not arranged by the company, especially in the case of smaller IT providers.

One can conclude that market flexibility demands and knowledge intensity of the product and production technology in a specific branch, to a strong extent, affect the work organisation strategies of companies. In virtually all of the case studies, an increased flexibility in the production/provision of goods and services is demanded and company work organisation is restructured in order to more and more address this demand and show a stronger customer orientation of production and servicing. The way this is attained differs. This difference is related to the knowledge intensity of the work. A higher level of knowledge intensity leads to a stronger dependence of companies from their work

force. This higher dependency causes companies to take into account a number of worker needs. The outcome is a set of arrangements (concerning skill formation, working time and work organisation) that in a more or less balanced way respond to both employee needs and the requirements of customers and production technology. In companies that produce at lower levels of knowledge intensity, this balance does not emerge. Instead, the requirements of production technology and customer demands are directly transferred to the skill formation, time and work organisation strategies of the company.

### 6.2.3 Value chain restructuring as optimisation of costs, efficiency and production complexity: the policy context

The WORKS case studies also show that variations in work regulation are related to outsourcing decisions (Moniz *et al.*, 2009). For instance in clothing, where market flexibility appears relatively high, production and operational work is outsourced to weakly regulated branches (handicraft instead of industrial clothing in Italy, *e.g.*) and to central and Eastern European countries. Note that outsourcing not necessarily crosses national borders. Regulation differences also exist within national borders and outsourcing companies capitalise on these differences. A similar situation to the clothing branch exists in food production. The outsourcing companies normally keep logistics, design and marketing in-house, since these are more related to the core of the companies' work, more strongly affect the strategic position of the company and because the level of knowledge intensity in these business functions is higher.

Huws *et al.* (2009: 86 ff.) argued that value chains indeed appear to become longer and more elaborated. It appeared that branch-level specificities explain the differences between outsourcing processes in different branches. *For example.*, in the public sector, political decisions drive outsourcing processes, in food an overall restructuring of the branch gave rise to various mergers or acquisitions, in the IT branch the triggers for outsourcing were diverse.

If we point attention to business function instead of branch, however, a clearer pattern emerges. Skills and knowledge play a decisive role in the decision to actually outsource work. The more complex and company-specific and the less transferable the knowledge, the less VCR is feasible. Cost reduction (Huws *et al.*, 2009) argue, is a mayor trigger for VCR of the production function. Because workers' skills are relatively strongly standardised in production as compared to other business functions, it is relatively easy to outsource this function. However, also in production, outsourcing does appear to lead to problems with respect to quality control. Be that as it may, the WORKS case studies and other research does show that a relatively low level of skill in a business function increases the likelihood of (spatial or contractual) value chain restructuring. This pattern clearly goes in production.

With respect to the IT business function, a less strongly dualised pattern emerges. At the low-skill end of the work, increasing work standardisation, precise documentation and pooling of knowledge leads to easier transfer of knowledge between workers and units and as a result, this development supports outsourcing. However, IT specialists working for other companies, often on transfer, require a relatively large knowledge of the purchaser's procedures and operations. This knowledge is often tacit and relatively

highly-specific. Although contractually outsourced, this work requires strong interaction between the service purchaser and provider so that spatial outsourcing is less feasible.

The outsourcing of logistics appears very difficult, compared to the other functions. The logistics function is comprised of relatively simple operational work (pick and pack, truck driving, *etc.*), but the planning, management and design functions become ever more complex, are characterised by strong change and innovation. The management of logistics requires strong interaction with customers, suppliers, the production function, financial departments, *etc.* Therefore, companies tend to keep logistics in-house 'in pursuit of as seamless and integrated a logistics operation as possible' (Huws *et al.*, 2009: 89).

In the case that the required knowledge and skills indeed allow outsourcing, work is actually relocated to other policy contexts, internationally, but also within the limits of a single welfare state towards other branches (with specific regulation). Production in clothing and parts of the software industry, customer service, IT service and food production are outsourced internationally and nationally to branches with different work regulation. A pattern of relocation of low-skill production functions to policy contexts (again: both nationally in other branches as well as internationally) that support a low-skill/low-wage equilibrium is indeed visible in these industries. At the same time, business functions that are both more near to the company core and more complex remain in-house or, if not, contractually outsourced but geographically or culturally near. This strongly goes for design, R&D and logistics.

To conclude, two main patterns of value chain restructuring are (VCR) observed. The first of these main patterns of VCR is the transfer of operational work to weakly regulated contexts within Europe. This primarily concerns the New Member States and relatively weakly regulated branches in EU-15. This pattern appears related to the fit between the economic and the political context of companies. While originally, production work was shifted from North-West to Southern Europe, after the accession of the Central and Eastern European Countries to the EU a further shift to these countries occurs. Next to that, we also observe a transfer of operational work to new branches in which social protection and the co-ordination of work is weakly developed. An example is the outsourcing of production work in clothing in Italy to smaller provider companies that implied a shift from the well-regulated clothing branch to the less regulated branch of small handicraft. The second main pattern of VCR is restructuring in order to capture greater knowledge intensity, in order to come up to complexity requirements a company itself cannot answer. Geographically, this pattern of outsourcing partially goes the other way around than VCR towards weak regulation. This is a pattern of outsourcing of work towards branches and countries with more strongly developed knowledge in relation to *e.g.* IT, design and logistics. Work is transferred to locations where conditions for knowledge development were more favourable and more strongly supported in the policy context.

#### **6.2.4 Work organisation across borders: value chain restructuring and the co-ordination of branches, nations, global relations**

The outsourcing of work to weakly regulated policy contexts can to some extent be considered as an attempt by the central organisation in the value chain to transfer some of the risk of demand flexibility to the provider company. By doing so, the central company exports pressures on labour cost to other organisations in policy contexts in which labour

costs are lower and labour quality protection is more limited. As a result, part of the overall workpackage, which previously was organised in a relatively highly-protected policy context, is now protected to a lesser extent. This leads to a decrease of overall labour protection.

This direct effect of value chain restructuring may, however, also evoke an indirect effect on the side of the central, outsourcing company and the policy context it moves in. The low protection of the work at the lower side of the value chain may prove to become a competitive advantage that either leads to more work being replaced or to pressures emerging at the higher end of the value chain to limit labour cost and labour quality regulation. This pattern is, *e.g.*, observed among the low-skill business functions in logistics (truck drivers' wage decline under pressure of internationalisation of the transport branch) and in construction (a strong shift towards self-employment in EU-15 under pressure of competition by self-employed service providers from the New EU Member States).

An indirect effect the other way around is also conceivable. The Hungarian case study of Copy Fashion (Makó *et al.*, 2009: 64) underscores that the outsourcing process itself may generate increased skills requirements (*e.g.* related to the co-ordination of work and specific knowledge of the partner company's work processes) in the lower end of the value chain. As a result, while initially the overall quality of labour may have declined, a reinforcement of labour quality may result from these new skill requirements. To the extent that labour costs remain lower at the lower end of the value chain, this is an additional pressure on labour protection and regulation at the centre of the value chain.

As a result of these pressures, value chain restructuring may lead to a convergence of labour regulation, not necessarily at the highest standards, but above the level of the lowest common denominator. Since, however labour regulation not only affects labour costs, but also supports more intensive and more specific skills formation efforts, the indirect effects of value chain restructuring may complicate the central company's knowledge strategy, that is, it may become difficult to uphold the required level of knowledge in the company's business functions.

In a traditional, industrial labour market, three main options existed to address this problem: state intervention, corporatist co-ordination and a market solution. Above, we argued that the nature and quality of work is generated in two different types of context: an economic context of flexibility and knowledge intensity pressures and a policy context of labour regulation and social protection. The main characteristic of a knowledge society is that – because of the availability of technologies that bridge 'time' and 'space' (Harvey, 1989) – individual companies are able to make strategic choices and restructure their value chains in response to differences between labour and product markets in Europe and in the wider world economy. Companies and, for that matter, workers can evade state and corporatist regulation in order to respond to pressures of the market. In other words, the actual world of work 'slithers away' from state and corporatist work regulation and the market or uncoordinated solution mechanism gains force.

What, then, are the problems of work regulation across sectoral, European and wider international borders? Where work shifts away from state and corporatist regulation, collective, co-ordinated solutions to problems of labour co-ordination become more complicated. This develops in two ways (Trommel, Bannink & Hoogenboom, 2007: 61-62). What we have already seen is the international specialisation in the area of low-skill business functions. Employment in these business functions shifts from relatively highly-regulated policy contexts to less strongly regulated contexts (both internationally and within nations

between branches). At the same time, more complicated business functions may be transferred to highly-regulated policy contexts that support high skill levels and a high level of organisational trust. As a result, *both* parts of this dual economy become integrated in an international labour market. Neither these economies and labour markets, nor the parts of this dual economy are integrated in a system of co-ordination. At the same time, the mutual dependency between the high-skill economy of designers, accountants, engineers and IT professionals and the low-skill economy of production workers and service providers grows and becomes ever more intense. The co-ordination problems that exist between the two ends of a concrete value chain now return on a global scale.

Not only is public co-ordination of work in such a global economy and labour market increasingly unfeasible, it may also be considered increasingly undesirable. The chains of interdependence are located at a scale way beyond what a national state can control. And what is more, the logic of interdependence changes. Actors (companies and workers alike) to a decreasing extent share the membership of a geographical entity, with its localised resources, infrastructure, social problems, economic prosperities and misfortunes. This apparently goes for national geographical entities, but – as the WORKS case studies amply show – to a lesser extent also for multinational geographical entities, like the EU.

Instead, interdependencies come to follow the value chain. A European company in, say, clothing, drafts its designs in Italy, plans its logistics operations in the Netherlands, manufactures its cloth in India and ships its goods to markets using transport companies from a variety of nations. It is more important from the company's perspective that the operations of Italian design, Dutch logistics, Indian manufacturing and the various transport companies are co-ordinated than that the logistics officials' social status accommodates Dutch standards. Instead, Indian manufacturing needs to meet the highest possible standards, designers need to link international design trends to the company's and value chain member's requirements, *etc.* Companies lose their ties to, and their dependency on the national context. In other words, the interest in co-ordination, the imposition of quality and other standards and the regulation of work are not located geographically, but instead in the value chain at large and in the central company in particular.

This suggests that companies, increasingly being integrated in value chains, may be willing to engage in coordinative action in the context of this value chain. This may open up a completely new venue of labour regulation that we propose to call 'new corporatism'. New corporatism differs from neo-corporatism. In neo-corporatism, the shared interest in the co-ordination of labour and economy in a geographically defined area supported continuous tripartite negotiation between state, labour and employers, leading to 'generalised co-ordination'. Their shared and localised interest bound them to national negotiation institutions, and because these actors could not escape the national tripartite setting, at least some co-ordination of action is inevitably produced. In new corporatism, as we define it here, actors are no longer embedded in this shared institutional, cultural and geographical context.

New corporatist governance arrangements transcend the level of national institutions. How, then, can states, companies, workers and possibly other involved actors accommodate the requirements of transnational value chains and produce the labour regulation that is required for it to function adequately? Since the embeddedness of actors in a shared set of institutions that cannot be escaped can no longer be presupposed, co-ordination can only be build on a stricter, more limited image of self-interest. In this new corporatist constellation, nations may be willing to support the labour regulation needs of

specific, strategically important companies or industries. These industries, on their part, turn to national governments, not in order to seek integration in national social policy systems, but instead to seek support for the construction and maintenance of social protection, skills formation and labour regulation systems across the value chain. *For example*, the German government may prove willing to support the companies of the car industry to build and maintain training programmes and private social protection systems abroad (to protect the investment in skills that is made there), in order to keep these companies' core business functions within the confines of the nation. This is a selective process, including in regulative arrangements those who are part of the value chain, but excluding others. And it is a limited mode of co-ordination, addressing those issues that affect the functioning of the value chain, while ignoring other issues. Only when the prolonged interaction of actors in the value chain eventually leads to the tight integration of companies at the centre and lower ends of the value chains in a system of privately built, publicly supported (but selective; not nation-wide) arrangements, one may expect a return to neo-corporatism, generalised exchange and co-ordination based on the embeddedness of actors in a shared institutional context (but see Simpson & Eriksson, 2009, who argue that a contract-based type of exchange stands in the way of the development of general trustworthiness).

Even though labour regulation may become disembedded from national and supra-national contexts to an increasing extent, governments still need to consider their social and labour market policies. Which social and labour market policies and regulation are most feasible given the specific conditions of a national labour market and economy? This issue is addressed in the next section.

### 6.3 Welfare regimes in the knowledge society

Policy and economic contexts are interconnected. This interconnectedness is a central element of the concept of a policy and production 'regime.' A regime is here defined as a set of regulative and social conditions that show a tendency of mutual reinforcement. This mutual reinforcement is the result of institutionalisation. Social action is adjusted to the regulative framework and regulation is adjusted to prevailing social action. The concept of a policy and production regime points to the policy and economic context of companies being mutually dependent. The policy context (labour regulation, social policies) of an economy supports a specific type of labour relation and a specific type of economic action. The economic context (prevailing economic action in a society, structure of labour market and production system) evokes a set of policy institutions tailored to the requirements of prevailing economic action. *For instance*, a co-ordinated policy system supports incremental innovation, while an economy based on incremental innovation supports the co-ordinated adjustment of labour demand and supply.

Scholars working in the tradition of the 'Varieties of capitalism' approach (Hall & Soskice, 2001) make a distinction between co-ordinated and uncoordinated policy systems. Liberal Market Economies (LMEs) are characterised by limited labour market co-ordination, low labour regulation, relatively unstable labour relations and – as a result – limited skill investments in the context of the labour relation. Co-ordinated Market Economies (CMEs) are characterised by more extensive labour regulation, more stable labour relations and skill formation that is more often organised in the context of the

labour relation. This tradition emphasises the interaction between social protection systems and employment protection and labour regulation systems, on the one hand, and economic action on the other.

Esping-Andersen (1990, 1996 & 1999) instead emphasises the level of social provision and makes an implicit distinction between welfare systems on the basis of the inclusiveness of social provision systems (Bannink & Hoogenboom, 2007). Also in Esping-Andersen's work, it is observed that the set of policy characteristics (although defined differently) is related to economic action.

In the Anglo-Saxon world, social and labour market policies are universalist and aimed at citizens, but the level of provision is low and provision is residual in nature. Both unemployment protection (compensatory arrangements in the case of disability or unemployment) and employment protection (public or collective regulation of the labour relation) are limited. The intervention in market co-ordination is minimal. However, flanking social policy systems may have developed more strongly. The British national health system is a case in point. This system provides relatively extensive health protection to the entire population (universalism), in strong contrast to the USA and in many cases closer to the Nordic than the corporatist model. As a result, skills investments are individualised and careers, work organisation and working time arrangements are determined at the individual level. This regime is termed 'liberal'. In the Scandinavian nations, social and labour market policies are encompassing, universalist and aimed at citizens and the level of provision is high. Public correction of market outcomes is relatively strong. Government, employers and labour unions are all involved in the co-ordination of skills investments, working time arrangements, work organisation. The level of co-ordination is relatively strong. The level of employment protection is relatively high (apart from Denmark, where it is moderate). As a result, work organisation is characterised by relatively high flexibility. Skill investment patterns are related partially to public and partially to branch requirements. This regime is called 'social-democratic'. In the Continental-European nations, social and labour market policies are co-ordinated at the level of the economic branch or sector and social provision is selectively aimed at workers. The level of provision is high for insiders, but more limited for non-working citizens. Unemployment protection is normally high as well as employment protection. Work organisation is characterised by a relatively low level of flexibility. Skills investments are however strongly adjusted to sector-requirements. This regime is termed 'corporatist'.

Leibfried (1993) considered the European Latin Rim countries rudimentary welfare states, with a semi-institutionalised promise of a right to work and welfare. Bonoli observed the existence of a 'Southern' type, characterised by welfare financing primarily based on contributions, but a relatively low overall level of spending and provision, leading to rather selective welfare programmes. Also the New Member States of the EU in Central and Eastern Europe were not included in the original welfare regime typology. Deacon (2000) discusses the nature of these welfare states after the fall of the Berlin wall. Although the socialist systems were strongly oriented towards the state, the right to benefits was linked to and assessed in the work relation. It was this basic point of departure that remained in place, not for ideological reasons, but forced by economic conditions. In the more developed nations of Central Europe (Hungary, Czech Republic, Poland, Slovenia) and in the Baltic states, 'one or other variant of a West European welfare state [developed], combining a mix of Bismarckian-style insurance and Scandinavian-style state financing' (Deacon, 2000: 151). The less well-developed nations (Romania, Bulgaria, most

of the former Yugoslavian nations) 'appear still to be attempting to conserve state and workplace benefits in the face of declining resources' (*ibid.*), which might lead to the further residualisation of the system. In both the better and less well-developing nations, a shift towards work-based and more strongly selective welfare occurs. Social inequality is no longer determined by bureaucratic privilege, but instead by market relations: those who work in stronger branches have greater access to social support measures.

**Table 6.2** Welfare regimes and market economy types in Europe

		INCLUSIVENESS	
		Universalist (citizen-based, public responsibilities)	Selective (oriented to workers, tripartite responsibilities)
LEVEL OF CO-ORDINATION AND PROVISION	Co-ordinated (CME's) high provision level	Scandinavian systems	Continental systems
	Uncoordinated (LME's) low provision level	Anglo-Saxon systems	NMS and Mediterranean systems

Scholars working in this tradition depict the condition of advanced welfare states in the current knowledge society as being caught in a 'trilemma'. European welfare states in current conditions need (1) to deal with fiscal restraints; (2) to address income inequality and social exclusion; and (3) to invest in employment and labour participation growth (Bernard & Boucher, 2007). Bernard and Boucher (2007) show that the different welfare regimes in Europe each cope with the mentioned trilemma in specific ways. While Scandinavian countries score high on job promotion and equality, they score low on fiscal restraint. Anglo-Saxon countries score low on equality and high on jobs and fiscal restraint. Continental countries score higher on equality, but low on job promotion while some of the continental nations also have trouble with respect to fiscal restraint. The way out, Bernard and Boucher argue, is social investment in skills.

This also seems to be the main route of the Lisbon Strategy. The Lisbon Strategy is aimed at economic growth and an increase of jobs through becoming the world's leading knowledge society. This is the main European route out of the trilemma. This route, however, implies a changed conceptualisation of welfare states. Welfare states can no longer be characterised as and considered to be sets of policies supporting high *versus* low co-ordination and protection in an encompassing *versus* selective way. This conceptualisation after all, is a conceptualisation of welfare policy that is primarily drafted in terms of social protection (higher or lower, more or less selective) from the pressures of the market, or 'decommodification' in Esping-Andersen's (1990) terms.

The Lisbon Strategy, in sharp contrast to the 'old' conceptualisation of the welfare state, is aimed at activation; and activation is understood in a specific way. The Lisbon Strategy implies choices with respect to the above outlined dimensions of social and labour market policies and within new elements added to these changed setups. The Lisbon Strategy is aimed at activation rather than compensation and at deregulation and individualisation rather than co-ordination. These policy choices are taken under the condition that the level of social provision is to be maintained or even increased. This makes the approach highly-inclusive, potentially capturing all citizens, but its relation to the labour market is potentially less well-developed and skills formation strategies may be less thoroughly focused. This suggests that a trade-off may exist between the inclusiveness and the focus of an activation strategy.

This discussion leads to the main question of this chapter of the paper: is the Lisbon Strategy the most feasible option to respond to the challenges of the knowledge society for every social and labour market policy regime to the same extent? And should it be applied in the same substantial way? In Section 6.3.1 we discuss the transformation of welfare states from industrial to knowledge societies and argue that welfare state institutions lag behind social change and structure the way social change unfolds in a society. As a result, Europe is not one single knowledge society. Instead there is a plurality of knowledge societies, based on specific welfare regimes. The capacity of these regimes to regulate labour markets and structure the nature and quality of work has, however, decreased. Social policies concern the national context less and less, but instead come to structure branches, individual companies or value chains. Although national social policies decline in importance, the nature of social and labour market regulation that is experienced at the level of the individual company still affects what flexibility and knowledge strategies are feasible for this company. In Section 6.3.2, we present types of knowledge society social and labour market policy systems and argue that, although no longer produced in a nationally universalist manner, each has its own strengths and weaknesses and each supports a specific type of company strategy in the knowledge society. The conclusion to this Section 6.3, along with the conclusion to Section 6.3, is transferred to Section 6.4, where we will draft European policy implications for a shift to knowledge society.

### 6.3.1 From industrial society to knowledge society

Social and labour market policies have not developed in response to the knowledge society, but instead have developed in response to an earlier pressure: industrial society. The interconnected sets of social and labour market policies and work organisation practices become institutionalised and affect both the feasibility of various producer strategies in the regimes and welfare state adaptation to new circumstances. It is especially this last issue that has been taken up in the Varieties of Capitalism-project. Existing social and labour market policies are hard to change, and they do, in fact, determine the nature and extent of the adjustment to changing circumstances. Some institutionalised sets of social and labour market policies do and others do not support 'comparative advantage' (Hall & Soskice, 2001). It is difficult for regimes to change, because regimes produce preferences and a balance of power that add to regime maintenance (Bannink & Hoogenboom, 2007). In the 1990s, the existing welfare regimes tended to reinforce their characteristics under the pressure of 'post-industrialisation' and 'globalisation' (Esping-Andersen, 1996). While

the welfare regimes of Europe emerged in the context of an industrial society, it is uncertain to what extent they are able to cope with the requirements of the knowledge society.

In the knowledge society, the importance of (1) production flexibility and (2) knowledge integration increases. The welfare regimes of the industrial era differ with respect to the extent they can cope with these new demands. Economic action and welfare regimes are interdependent. As Harvey (1989: 123) argues: labour requires a certain 'habituation to different instruments of production' or more generally 'labour control' that guarantees individuals' motivation, capacities and compliance as concerns the requirements of work. In simple terms: an economy that strongly hinges on a high price – high quality mode of production, requires a mode of regulation that produces a highly-qualified work force.

During the post-war era of strong economic growth and welfare state development, a specific, three-fold constellation of policy regimes existed in the OECD area (Esping-Andersen, 1990). Esping-Andersen distinguished a social-democratic regime that shows a strong emphasis upon equality and overall labour supply quality, a corporatist regime that emphasises insider security and insider productivity and a liberal regime in which emphasis is given to market value and external labour flexibility.

Fordist modes of economic action were connected to these Keynesian welfare regimes. Fordist production was built upon mass production principles, but differed as concerns the deployment of labour and labour flexibility. There were firm-based, state-based and corporatist variants of Fordism. In both the social-democratic and corporatist variant, labour external flexibility was limited. Therefore, companies had to respond to cost efficiency requirements through the improvement of the productivity of the given work force. This happened in different ways in the corporatist and social-democratic nations. While in the latter, the public sector assumed responsibility for the maintenance of labour productivity and provided active labour market policies to secure labour supply quality, in the former skill formation was co-ordinated at the branch-level, while remaining problems of labour productivity were externalised through the exit of labour to the welfare state's compensatory arrangements. In the liberal variant, the external flexibility of labour was high, so that companies could relatively easily respond to changing demand for goods by adjusting labour quantity. This, however, had repercussions with regard to companies' capacity to ensure labour quality and to co-ordinate skill formation.

During a first wave of change, the three distinctive constellations changed in order to cope with – what we roughly indicate as – 'early' knowledge society pressures. From the 1970s onwards and developing well into the current decade, the growing availability and reach of information is related to an increase of international economic competition (globalisation) and a shift away from supply-driven to buyers' markets. This first wave is by now relatively well understood and referred to as a shift towards 'post-industrialism' (Bell, 1973; Touraine, 1974; Pierson, 1998; Esping-Andersen, 1996), 'disorganised capitalism' (Lash & Urry, 1987; Offe, 1984) or 'globalisation' (Rhodes, 1998). As concerns the mode of production, it is characterised as a change in the direction of post-Fordism. A widely reported increase of flexibility requirements made upon goods production and the labour force took place (Harvey, 1989; Womack, Jones & Roos, 1990). These changes in production went along with changing welfare regimes, globally understood as a move in the direction of greater austerity, flexibility-orientation and monetarism (Pierson, 1994 & 1998; Hall, 1993), but differentiated along regime-lines (Esping-Andersen, 1996). We term this a change towards 'flexibility constellations,' comprised of post-Fordist production and austerity-based, monetarist, but differentiated welfare regimes.

The three regimes changed in character, but the profound differences between the types remained in place. A 'divergent,' rather than a 'convergent' (Kleinman, 2002: Chapter 2 & 3; Rhodes, 1998; Esping-Andersen, 1996) response to increased flexibility requirements took place and is still taking place. We saw a maintained state responsibility for the quality and quantity of labour supply in the Nordic countries, the externalisation of economic problems by companies to the welfare state in the Continental-European nations and further deregulation in the Anglo-Saxon nations.

In the 1980s and 1990s, it became apparent what the costs and benefits were of the three main strategies. In general, the relatively high flexibility or uncertainty of the labour relation in the liberal welfare regime offers opportunities to outsiders to enter the labour market, but on the other hand, it precludes a mutual commitment to the maintenance of the labour relation and as a result limits employer incentives to invest in employee skills. In contrast, the relatively stable labour relation in the corporatist welfare states precludes quantitative work force adjustments to various pressures, but on the other hand offers strong incentives to make investments in the core work force. In the Latin Rim and NMS-variants of the corporatist regime it seems that the worst of both worlds applies. Labour regulation is poorly developed, leading to the infeasibility of skill investments, but in the larger, economically successful branches, labour regulation and social protection is more developed, leading to labour costs that are higher than in the direct environment, but a level of external flexibility that is lower, especially for the core work force. This leads to highly-selective social outcomes, difficult entrance into the better parts of the labour market and the continuous threat for the work force that some of the social costs are externalised to less well-regulated branches. In the social-democratic welfare states, a high overall level of employability and labour productivity is guaranteed, but this reduces individual autonomy and responsibility with respect to labour market decisions and it makes rather strong demands upon the state, in terms of costs and legitimacy.

A general change in these regimes is the de-collectivisation and de-standardisation of labour relations. This includes the assessment of individual productivity and an attached system of personal remuneration, labour relations becoming more horizontal, a growing emphasis upon individual workers' responsibility for production and growing diversification of labour markets, with new differences between the legal position (duration and stability of the work or work relation, salary, *etc.*) of core and peripheral workers.

Economic action (production mode) that is built upon numerical flexibility, whether external or internal, is most likely in liberal welfare regimes. Social and labour market policies in these regimes support numerical flexibility. Corporatist regimes, on the other hand, support stable work relations. In such welfare regimes, a mode of production is most likely that emphasises internal-functional flexibility, while numerical flexibility is facilitated by exit compensation measures. In addition, flexicurity regulations also come to enable internal-numerical flexibility. Social-democratic regimes emphasise the external-functional flexibility of the work force. Companies depend for their adjustment to changing market demands on state intervention, while the state (consulting social partners) supports workers' employability and labour mobility.

In the Continental European corporatist nations the differences between the branches with higher and more limited economic success and between work that required high *versus* relatively low investments in skills are mitigated by a welfare state that shows relatively high levels of social inclusion and labour regulation that covers the complete labour market. This affects company strategies. They are able only to a limited extent, relatively

speaking, to restructure their value chains and replace work to less well-protected branches inside their own welfare state. Value chain restructuring in order to strongly limit the social costs of labour requires outsourcing work internationally. This entails that companies that work in these nations need to maintain a relatively high level of investments in skills, in order to attain a level of productivity that justifies the wage. This is much less the case in the Latin Rim countries and the NMS. Their much cheaper, less well-regulated labour markets are easily available for companies so that outsourcing of work to a secondary labour force is more likely than in the continental nations.

To conclude, in a first wave of change, policy regimes and changing economic action responded to an increasing need for flexibility. Policy regimes differ with respect to the extent they allow external flexibility: the liberal welfare regime allows a high level of market-led external flexibility, while the corporatist does not and social-democratic regimes support external-functional flexibility by means of state intervention. A shift towards more flexible, 'post-Fordist' modes of production took place that is characterised by greater de-collectivisation of the labour relation and more horizontal relations between workers and firms. Differences exist as concerns the type (internal, external; numerical, functional) and feasibility of flexibilisation. This is influenced by the policy context in which the company is located.

In a second wave of change, and in addition to increased flexibility requirements, the shift to knowledge-based societies entails a greater importance of (cultural) knowledge for companies. The greater integration of and interaction between the knowledge at the intra- and inter-firm level and between company and customer is the central characteristic of the second wave knowledge society (Hoogenboom, Trommel & Bannink, 2007). We can only indicate what requirements to companies follow from this shift. Companies need to be able to operate systems of knowledge management that enable them to identify a culturally diverse demand for goods and services or – the other way around – to define a specific culturally homogenous supply. Companies need to shift from controlling workers' contribution to goods production – their output – to controlling and securing company access to workers' knowledge. As a result, the relation between the firm and the work force may change in a fundamental way. To some extent, the workers' knowledge is valuable in itself, but workers need companies to transfer their skills into value.

Two opposite responses may result. First, we may expect the further rise of network-forms of organisation and a gradual horizontalisation of relations between economic actors. This implies a decreasing role for central organisations and – as a result – increasing problems of co-ordination. Network management and especially the management of flows of knowledge and information in the network become more important.

In the second place, a return to 'neo-Fordism' (Makó, 2005) may be expected as a company strategy to capture the knowledge that is attached to workers. More than before, however, companies need to be able to come up to specific, individual requirements workers may have. Although captured in an organisational form, network-elements creep into the hierarchical relation.

For welfare regimes, the implications of this second wave are that, firstly, the concept of employee loses relevance, while, secondly, knowledge production becomes more and more important. As a result, the interrelation of educational, labour market and social policies that exists in the social-democratic and corporatist regimes becomes unfeasible to some extent. In these nations, social partners at the economic branch-level are consulted on educational and labour market policies and – to a lesser extent – social policies. Where

the significance of the economic sector decreases, however, this co-ordination mechanism may more and more become unfeasible. Next to that, where the formal labour relation loses relevance, regulation of work needs to be based on another conceptualisation of employment.

This may emerge as a constraint for corporatist policy regimes, which are strongly based on sector-level co-ordination and formal employment. On the other hand, the existing co-ordination structures may well be 're-calibrated' (cf. Pierson, 2001) in order to respond to new conceptualisations of employment and a growing complexity of and interaction between co-ordination networks, while the high level of institutionalised and generalised trust in corporatist labour markets may spill-over onto new co-ordination mechanisms and networks.

As concerns policies that support worker knowledge and employability, the significance of the state may need to decrease. Formal training in public institutions, following pre-defined paths that are linked to fields of technical expertise may well lose relevance to the benefit of more flexible forms of training and experience-building that come up to the requirements that follow from cultural fragmentation. We may think of individually determined educational paths, experience building on the basis of interaction with others and education not so much aimed at technical expertise, but instead at general skills and social and cultural knowledge.

Constraints and opportunities are related to existing educational structures. Liberal policy regimes appear weak in relation to on-the-job training and access to education, but on the other hand, they are strong as concerns general skills, educational differentiation and the linkage of education to individual needs and preferences. Social-democratic policy regimes appear strong as concerns the access to education, while the linkage of education to individual needs is mediated by the state. At first sight, this appears as a constraint, but again recalibration and spill over effects may increase the feasibility of these institutions. As concerns the corporatist policy regimes, not so much the role of the state, but rather the role of the corporatist network functions as a constraint, while also here recalibration and spill over may occur.

The current liberal policy regimes support a further development in the direction of post-Fordism. It appears that corporatist policy regimes support development in the direction of neo-Fordism and network co-ordination. Social-democratic regimes face constraints if the current state-based institutions cannot be recalibrated in order to respond to individual and culturally specific requirements.

We see a world of interrelated economic conditions and welfare regimes. Changing economic conditions affect the feasibility of the constellations of welfare regimes and prevailing economic action. Companies may seek flexibility and access to knowledge that is not supported by the welfare regime, while the other way around, welfare regimes may support a specific mode of labour relations that economic changes do not allow. As a result, existing constellations become unstable.

We have seen that companies try to respond to new requirements by evading policy constraints and using opportunities that exist in other policy contexts. Processes of value chain restructuring follow from this. Under pressure by political and economic factors, national policymakers may try to innovate their policy regimes in order to come up to new requirements. *For example*, corporatist nations have shown a change of policies in the direction of *flexicurity* and decentralisation of labour market co-ordination, social-democratic nations have invested in active labour market policies (ALMP) and lifelong

learning (LLL) in a decentralised and deregulated institutional context; liberal nations seem to persevere at deregulation and retrenchment. Since economic and policy context show a tendency of mutual reinforcement, this pattern may lead to specialisation. This is the subject of the next section.

### 6.3.2 Policy systems and economic action in the European knowledge society

The capacity of national welfare regimes to regulate labour markets and structure the nature and quality of work has decreased. Social policies structure branches, individual companies or value chains instead of national labour markets. Be that as it may, the nature of social and labour market regulation that is experienced at the level of the individual company still affects what flexibility and knowledge strategies are feasible for this company. Below, we present types of knowledge society social and labour market policy systems and argue that each has its own strengths and weaknesses and each supports a specific type of company strategy in the knowledge society.

At least two types of work regulation and skill formation policy may be feasible in a knowledge society context. Increased flexibility demands and increased customer orientation go along with an increased flexibility of work organisation. On the other hand, increased knowledge intensity of work goes along with the stronger regulation of work. The optimal combination of the support of knowledge and skill formation, on the one hand, and work flexibility on the other differ per business function/branch. IT, generally, develops best in a policy context of weak work regulation and high flexibility, combined with stronger support for skill formation. It appears that IT companies externalise skill formation responsibilities to the individual worker (and the state) and this may indeed be a feasible strategy if the required knowledge and skills are not directly bound to the company's applied technology. This implies that this business function might develop best in a liberal or social-democratic policy context, while it may also profit from a Lisbon-type activation strategy that is aimed at individual skills formation. In the case of design, this may be different, because the knowledge and skills in this business functions are strongly related to a company-specific identity. Different from IT, the business function of design requires relatively strong binding mechanisms between company and worker and strong investment in – often tacit and highly-specific – knowledge and skills. This might function best in a corporatist policy context that strongly favours stable labour relations. As concerns IT, the more IT systems are bound to purchaser companies' own systems – as appears to be the case in the public sector (the Dutch Easttown is a case in point) – the more it is necessary that workers are bound to their companies and more specific investments in skills seem to be required. Similar to design, a corporatist policy context might be more supportive to this than a liberal, social-democratic or weakly developed corporatism in the NMS or Mediterranean nations. Support for skills formation is less feasible in production, while – from an economic viewpoint – deregulation of work might be feasible there. This points to greater options to place such business functions in a liberal or a weakly developed corporatist policy context.

Europe in the knowledge society seems to show regional specialisation in specific types of branch or business function. IT is well-developed in Scandinavia and North-West Europe and financial services in the Anglo-Saxon nations. These sectors possibly can best be supported by deregulation of work, combined with strong support of skills formation,

in most cases – apart from specific IT systems – also externalised from the company. The more complex branches of production industry are well-represented in Continental Europe, where company-bound skills formation is relatively strongly developed. The German car industry is a case in point. Company-bound skill formation, which requires the relatively strong regulation of work, might be the optimal strategy for such companies. The New Member States of Central and Eastern Europe currently specialise as relatively cheap production centres. Production work is outsourced to these contexts, because of the relative lack of work regulation and the low cost of labour. However, these strategies to a decreasing extent are nationally embedded. This is primarily problematic for those strategies that are built upon a high level of co-ordination, like the German company-bound skill formation system. It is indeed here that a decreased investment in skills was observed in the WORKS case studies.

**Table 6.3** Strengths and weaknesses of disappearing industrial-era social policy systems in the European knowledge society

		INCLUSIVENESS	
		Universalist (citizen-based, public responsibilities)	Selective (oriented to workers, tripartite responsibilities)
LEVEL OF CO-ORDINATION AND PROVISION	Co-ordinated (CMEs) high provision level	General, strong skills high-quality production and services, low specification	Specific, high skills high-quality, highly-specific production and services
	Uncoordinated (LMEs) low provision level	General skills, weak and strong cheap production, general (IT, financial) services	Low skills, low labour cost cheap production and services

The table presented above provides an indicative overview of feasible specialisations of business functions under industrial-era social policies in the context of a new European knowledge society. These social policy systems no longer function as regimes. The tendency of mutual reinforcement between social policies and labour market structure is weakened, because knowledge society pressures have enabled companies to strategically use regulation differences in order to optimise production and – as a result – work regulation in the national, state context weakens. Different modes of regulation indeed appear to emerge in a variety of different contexts, defined by branches, nations to some extent, work organisations, generations of employees, occupations and other social categories. For example, Valenduc *et al.* (2009) argue that the position in the value chain and their knowledge intensity explains differences between occupations. The quality of work and the nature of careers are increasingly related to ‘strong career anchors’ related to knowledge and to a decreasing extent to weakening anchors of security and stability arrangements (Valenduc *et al.*, 2009: 9).

National labour regulation is less and less capable of fully structuring the economic action of individual companies; economic action slithers away from public regulation. But divergent policy contexts do support divergent economic action. In the next chapter, we

will discuss the now emerging constellation of social policy systems and their disconnection from the national context. We discuss the impact that the European Lisbon Strategy might have upon this constellation of systems and argue for a differentiated implementation of the strategy.

## 6.4 Policy implications

Is the current mode of social-policymaking in Europe and its member states feasible in a knowledge society context? Daly (2007) depicts the open method of co-ordination (OMC) on social inclusion as a 'liberal' project aimed at the activation of target groups. This OMC is part of the larger Lisbon process. The Lisbon Strategy is aimed at strengthening economic growth and increasing employment through building the 'best knowledge society in the world'. Social inclusion policies are also considered in relation to this issue. Social inclusion is not only seen as a means to include groups at risk, but also to reinforce the overall structure of society and economy. The activation approach of the Lisbon Strategy is characterised by a labour supply-oriented, individual approach to work. This implies policies oriented to labour participation more than compensation; at skill formation rather than economic structure; at deregulation and the individual definition of skill demands, rather than the co-ordination of labour and the collective, *i.e.* branch-based definition of skill requirements.

Such a system is more similar to the social and labour market policies of so-called 'liberal market economies' or LMEs, than to 'co-ordinated market economies' or CMEs (Hall & Soskice, 2001). Accordingly, the Lisbon Strategy fits the needs of a specific type of economic production. Companies focusing on radical innovation in a broad economic field flourish best in uncoordinated systems or LMEs and are supported most by the Lisbon Strategy. Companies focusing on incremental innovation in more narrow fields flourish best in co-ordinated systems or CMEs and these might be hindered by an individualised, supply-oriented approach to skills.

Returning to our tables of welfare regimes in industrial Europe (Table 6.3) and the strength and weaknesses of disappearing industrial social policy system in the European knowledge society (Table 6.4), we must notice that it is not easy to fit the Lisbon Strategy in the current systems. The former categorisations of industrial welfare regimes do not encompass this new type of policy. Not only are industrial welfare regimes obsolete to some extent in the knowledge society, also our means of understanding and conceptualising welfare states and social policy systems are. While Esping-Andersen and the varieties of capitalism-approach make a distinction on the basis of the *extent* of social provision or co-ordination, the Lisbon Strategy is defined primarily with respect to the *nature* of provision. The importance of the nature of provision is most prominently put on the social scientific agenda by Giddens (1998), who argued that 'late modern' social policies are not so much concerned with compensation, but instead need to be conceptualised as 'enabling' policies, differing in the extent that they are capable of activation.

If we replace our level of provision-dimension by the nature of provision-dimension, we see a new constellation of welfare regimes. In this constellation, the citizen-based-public responsibility systems (that existed in the industrial welfare regimes of Scandinavian and the Anglo-Saxon world) now become similar in their emphasis on activation and in their universalist approach. We call these universalist activation systems. Activation

policies in these nations are aimed at citizens at large, not at branches or sectors. They are aimed at integrated workers in the labour market by increasing their qualifications. The selective, tripartite systems (that existed in the industrial welfare regimes of the Continental and NMS/Mediterranean nations) now become similar, because of their generally more limited emphasis on activation and their selective approach, aiming policies not at citizens, but at workers in specific branches instead. We call these selective attainment systems. Skills formation in the universalist activation systems has a strongly different function from skills formation in the selective attainment systems. In the former, these policies are aimed at supporting and reinforcing citizens' individual responsibilities for work and income, hence the term activation. Skills formation strategy is seen as an aspect of the universalist activation policy and as such is aimed at the improvement of labour supply quality in itself. In the latter, skills formation not so much 'activates' workers, but instead is an integral part of a work relation in which the activation of workers is presumed. Skills formation strategies are not aimed at labour supply, but instead at the labour relation, hence the term 'attainment.' In that sense, it is also selective: those included in an active (worker-employer) relation are included in skills formation processes and do not need to use compensatory arrangements. This should not be taken to imply that a social policy strategy aimed at universalist activation is generally better or more inclusive. Instead, the two types of systems weigh skills investment and inclusiveness differently. A selective attainment strategy reveals stronger investment in specific skills, at the cost of weaker inclusion of low skill workers. A universalist activation strategy shows more encompassing inclusion of workers, at the cost of a lower level and specificity of overall skills.

**Table 6.4** New modes of social policies and labour regulation in the knowledge society

		INCLUSIVENESS	
		Universalist (citizen-based, public responsibilities)	Selective (oriented to workers, tripartite responsibilities)
NATURE OF PROVISION	Activation	Universalist (citizen-based, public responsibilities)	Selective (oriented to workers, tripartite responsibilities)
	Attainment	Universalist activation	Selective attainment

The shift to activation of the Lisbon Strategy is actually a twofold shift. It is a shift away from compensation, aimed at the increase of investment in labour supply quality. But it is also a shift away from selectivity to universalism. In itself, a universalist mode of regulation is more inclusive than a selective one, but it complicates making focussed, specific investments, tailored to the needs of specific actors (both employers and workers). While an attainment strategy builds upon and aims at improving the mutual investments

between *workers* and *employers* that have already been made, an activation strategy is aimed at individuals as *citizens* – not building upon existing relations but aiming at the creation of new work relations, supporting the entrance of citizens into new work relations. In other words, while an activation strategy is aimed at the improvement of labour supply quality, an attainment strategy is aimed at improving the existing work relation. Necessarily, the first is more inclusive, but weaker in focus; the latter focuses on the demands of an existing work relation and is necessarily more selective.

So, what should European and national policymakers do? Shift towards an ‘uncoordinated activation-flexibility’ strategy, unilaterally improving labour supply quality and labour and product market flexibility? Or move towards a ‘co-ordinated mutually adaptive inflexible’ strategy, improving the connection between skills formation and producers’ requirements and between labour and producers? What nature and quality of work do such main policy directions produce? And is a universalist activation policy possible, can inclusive social standards and work organisation be upheld across borders, in a European or even global knowledge economy? These strategies show a different logic, a different conception of citizenship and – as a result – a more strongly differing system of social policies than the Lisbon Strategy seems to be willing to acknowledge.

In the conclusion below, we bring the discussions in Sections 6.2 and 6.3 of this chapter together. We discuss the pros and cons of a ‘new corporatist’ strategy (supporting labour regulation across borders along the lines of the value chain, not the nation or the branch) in the context of a differentiated Lisbon Strategy (differentiated with respect to the localisation of skills formation policies; a selective, work-based setting *versus* a universalist, labour supply-oriented approach).

#### 6.4.1 Conclusion: towards ‘new corporatism’ under a differentiated Lisbon Strategy

We made two arguments in this paper. First, social policymaking and labour regulation is less and less an issue for the state or the economic branch. The globalisation of economic relations along ever more expanding value chains creates a new logic of social co-ordination. Regulation efforts and capabilities increasingly follow the value chain. This has important implications for social policymaking. In such a globalised knowledge society, the constituency of social policies is not integrated in a geographical area or a branch. As a result, social policies are no longer embedded in stable social structures. As we argued in Section 6.2, they can no longer be built on the basis of social relations that partners cannot escape and therefore it is difficult to have actors engage in a system of ‘generalised exchange.’

In the second place, social policies and labour regulation support specific types of economic action and act against others. Universalist activation (more or less coinciding with the EU Lisbon Strategy, which may be considered a mixture of the stronger elements of the liberal and social-democratic systems in Europe) supports the social inclusion of most segments of society, but at a relatively low level of skills. A selective attainment system (as we saw in corporatist Europe) does not include most segments of society to the same extent, but it does support deeper skills that are more strongly tailored to the specific needs of economic actors. Both types of social policies and labour regulation are valuable.

It is under these conditions that new social policies will be made. The undifferentiated emphasis on economic growth and job creation of the Lisbon Strategy is undesirable for

two reasons: It forces the companies of Europe in the direction of a production strategy that is based on a lower level of skills and a cheaper, less regulated, although well-educated, labour supply. This may function very well for companies that need to quickly respond to the ever-changing demand of the market, but it may complicate operation for companies that depend on careful research and precise design. What is more, and that is the second reason, it stands in the way of the development of international value chain strategies *within* Europe. If companies need the type of labour that they cannot get nationally, they need to go abroad. If Europe becomes a fully convergent labour market, then there is no need to outsource work inside Europe. Where value chains become longer and more elaborated (Huws *et al.*, 2009) social policy convergence may thus – instead of supporting the Europeanisation of the labour market through policy harmonisation – lead to the transfer of those types of work that are not supported by the European policy regime to other parts of the world. In other words, a strategy of social policy harmonisation is a strategy of an industrial labour market. It underestimates that labour in the knowledge society shifts from public regulation toward regulation along the value chain.

Instead of a convergent shift towards a Lisbon type universalist activation policy, Europe may consider the strong support of policy differences by supporting what we call ‘new corporatism’. This implies supporting the international value chain strategies of concrete companies. These companies are increasingly integrated in international value chains. A need for co-ordination of economic action will increasingly follow this value chain, instead of branch-level or national memberships. Actors will no longer be embedded in the shared institutional, cultural and geographical context of nation and branch. In such a context, co-ordination can only be built on a strict, limited image of self-interest. This stands in the way of universalist activation policies while, on the other hand, it broadens the options for selective attainment.

Nations may support the labour regulation needs of specific, strategically important companies or industries, while these industries turn to national governments to seek support for the construction and maintenance of social protection, skills formation and labour regulation systems across the value chain. This is a selective process, including regulative arrangements for those who are in the value chain, but excluding those who are not. Not only is it selective, it is also a limited mode of co-ordination; limiting co-ordination to those issues that affect the functioning of the value chain, while ignoring other issues.

This depicts a less friendly world than we had before. The international knowledge society may eventually include an increasing number of actors in a world economic system, but such integration cannot just be postulated. It needs to be shaped. The prolonged co-ordination and labour regulation in the value chain may eventually lead to the tight integration of companies at the centre and lower ends of the value chains.



## 7 Towards a future agenda

There are a myriad of sources and concepts for helping to shape policy. Here, the impulses derive specifically from the empirical material gathered in the WORKS project, grounded in the larger contexts of national and EU level institutions. Most of the findings come from case studies dealing with the issue of restructuring across value chains in which workplace and individual level analyses anchored in specific sectors and business functions were carried out. So, what are the lessons that can be learned from such experience and where do we go from here? In the previous chapters of this report, we looked carefully at what effects policy initiatives are having at the place of work in different contexts. The goal was to point out challenges for policy and, when possible, to offer concrete measures for strengthening institutional structures and implementation processes, such as governance systems or monitoring agencies. We examined which levels of policy intervention are most appropriate, which actors can or should be involved and what policy responses might be possible in the future.

Overall, the WORKS results show that the effects of EU policies at the level of the workplace are often necessary, but not sufficient. That is, many regulations meant to achieve equality, decrease discrimination, improve the quality of work life, skill and educate the workforce, ensure job security, govern restructuring and its effects are not, or only very selectively, evident in practice. Thus, the policies defined and formulated at the EU level are often only partially implemented or formally in place, but with only marginal impacts on working life. There are many reasons for this. Europe is diverse, with a variety of institutional contexts and trajectories within which economic development and social policy have been operating. In fact, guidelines and directives are specifically meant to be implemented differently, taking the diversity of economic, policy and social contexts as well as institutional legacies into account.

The regulations that have been formulated function best in settings that already have high levels of institutionalised representation, but even then, they are sometimes bypassed. Moreover, the very different national configurations that regulation and protection take make them difficult to monitor, measure, and evaluate. Additionally, an increasingly financially led logic evident in the last decades has driven ever more aggressive cost cutting strategies in companies in which they sought ways to avoid strong regulations for employment and work, and thus a further impetus for value chain restructuring.

Another finding is that, in general, there is a tension between national, sectoral and EU levels of coordination of policy. Areas of regulation which are so significant for the experience and capability of work – training, education, labour market supply, governance structures, and organisation of social dialogue, have been traditionally anchored in regional and national settings. As Meil in this volume points out, the blurring of boundaries in space and time, made the boundaries for policy formulation more and more dif-

fuse: the contexts in which occupation, sector, and national frameworks are emerging are in flux. Other contradictions in which the policy framework is shaped also became apparent. All of the chapters point to a growing rift between European growth, and therefore the ever larger social space in which regulation is supposed to take place, along with company developments that are dividing up tasks across ever more elongated value chains, and the simultaneously growing individualisation in a number of aspects of work life: contracts, training provision, negotiation, redressing wrongs committed at the workplace.

Individuals in high skill occupations and located in jobs at the top of the value chain have a certain amount of bargaining power and want to co-determine the direction of their skilling and their careers. However, this cannot be accomplished in an institutional vacuum. Also, it is particularly in highly skilled jobs that indications for work intensification are evident. As pointed out in the chapter by Stratigaki, this, in turn, has consequences for gender equality given that women are still the primary childcare providers. And if trends toward individual solutions continue to rise, are those working in sectors or countries with less high skill, or in jobs that have been downgraded as a result of value chain restructuring simply losers in Europe's knowledge society? To stem these trends, a major challenge, as argued in Linardos in this volume, is ensuring that knowledge and innovation through European-wide training and qualification standards is secured; that an important source of labour supply – women and minorities – do not get marginalised and underutilised; that workforce sustainability is maintained through a balanced working and private life, and through initiatives which buffer the negative effects of value chain restructuring (such as intensification, standardisation, and fragmentation) on work experience (Chapter 2).

The WORKS results showed that value chains are getting increasingly longer, moving across borders of country and industrial branch. Restructuring across value chains has a number of consequences for the frameworks in which work gets carried out. Chapter 6 argues that this allows companies and workers to evade state and corporatist regulation. This leads to a 'slithering away' from former forms of regulation and more leverage for purely market solutions to company strategies (p. 99). Although Europe seems to be moving towards a universalist oriented activation policy, it is argued that the different logics in the different systems in Europe make this trajectory unlikely. The argument continues that the chains of interdependence are beyond what a state or the EU can control. Rather interdependencies come to follow the value chain and thus coordination and control of standards have to occur at the level of the value chain rather than in a national context. According to the chapter by Tengblad and Docherty, it is not impossible to govern value chain restructuring processes in a socially sustainable way, but new roles and responsibilities for the stakeholders have to be established. This involves the participation of individuals, the labour market, social partners, sector level social agreements, and the mobilisation of regional resources.

In WORKS, we focused on value chain restructuring, an ongoing process of economic development, to see how it affects quality of work life in the knowledge society. Although the outcomes are mixed, there are a number of negative effects for European workers. And we found that policy in practice often does not have the regulatory power that is meant in theory. Studies at the workplace level are not comprehensive and can only provide detailed snapshots of what is happening to policy 'on the ground'. However, they are extremely important corrective measures of meso and macro institutional initiatives.

More research is needed on what causes the weaknesses of implementation in different contexts and which actions should be promoted to empower actors at different levels – individuals, social partners, regional and national institutions, and EU monitoring and control organisations, including the coordination between the different levels. Certainly, different policy issues require different levels of European coordination or centralisation. However, for many of the challenges that arise as a result of value chain restructuring, the locus of conflict and negotiation, and thus the needs for regulation, will occur within the company and between its units along the chain. Top down support from EU legislation, institutions, and availability of resources are the necessary foundation for bottom up protection of workers and working life.



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- It is mainly at the level of the workplace that deficits in regulation become visible and impulses for policy formulation can be developed. This report, based on empirical results obtained from the WORKS quantitative and qualitative data, targets the issues of skills and knowledge, gender and equality, employment and work, the labour market and social governance in the policy debates because they are identified as major aspects of reaching the Lisbon goals. The contributions explicitly examine what effects specific regulations and what role organisations that are mandated to support and protect worker interests are having at the level of the workplace. We conclude that the various levels of intervention for policy – national, regional, company – will continue to have relevance because the processes for policy development are not uniform across country or sector. Thus multilevel governance is needed. However, supra-national institutions such as the EU have a responsibility to use their regulatory power to mitigate inequalities forming across the value chain and to better monitor and enforce existing regulation.

