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The Challenges of Globalization to the European Corporatist Welfare Regimes

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Since the late 1980s and early 1990s, after sitting through the baptism by Thatcher's neo-liberalism there has been a resurgence of corporatism in many European countries: Ireland signed three social-economic contracts between 1987 and 1993; Spain signed a social contract in 1992 and another one in 1994; Spain signed a series of social contracts of relevant contents between 1987 and 1992; Portugal reached agreements nationwide and with the industrial, commercial, and agricultural associations between 1987 and 1992; Belgium resumed in 1991~1993 its contract activities which were suspended in the 1970s and signed a series of national-wide social contracts on welfare; Italy marked its welfare system by signing three social contracts in 1992~1995; Holland signed a social contract in 1982 and another one in 1993.

Those social contracts mentioned above show to the world that should the thinking of corporatism and corporatist regimes in Europe be confronted with the challenge of the world economic crisis caused by the 1973 oil crisis, the resurgence of neo-conservatism of the 1980s brought corporatism to the bottom of the valley. The conservative regimes represented by Great Britain and the United States in the 1980s launched a wave of the reform to retrench their own social welfare regimes, which had exerted an extensive exemplary effect on the rest of Europe and caused them to launch reforms of their welfare systems. The corporatist regimes of Sweden and Austria in its "Right" turn met disagreement and even protests from the Left advocates of "defending the welfare state" resulting in setbacks or even early failures in the 1980s, and likewise, it has been an indication of a resurgence of corporatism as the above-mentioned European welfare countries vied to revive the old dreams of "social contracts" in the 1990s.

The fact that corporatism should come back to those industrialized European countries and further affected the East European countries in transition shows that corporatism, as a thinking, or an institutional tool or a regime, has its room for existence. A "path dependence" or an inertia of the

institution, they undoubtedly may serve as an important answer to the phenomena; the welfare rigidity or the pressure from political parties and trade unions, they obviously serve as an important factor to the comeback of corporatism. Although R. Mishra has his unique views on his eight points regarding the thesis of irreversibility, he has no objection to the view that "there may be good grounds for suggesting that the welfare state is irreversible in the short run. But the claim that it is also irreversible in the long run requires reasoning of a different kind"¹; although the premises for the dual-analysis of capitalism vs democracy, capital vs labor, government vs the voters are deemed over-simplified, their interactive contradictions in the form of unity of opposites which is expected to play a vital role in social conflicts in the foreseeable future shall not be replaceable; Although the view that "the welfare state is functional necessity of capitalism" cannot find exemplary support in the spectrum of corporatist regimes, the neo-conservatism of the 1970~1980s did not fundamentally shake the welfare state unless it be the 1973 oil crisis or the 1929 Great Depression which shook the foundation of the capitalist world. As for Mishra's thesis of maturity, no matter whether the level of today's social expenditure and social services seems to represent people's highest expectation of a welfare, at least "institutional innovation" has brought about constantly changes across the world. People's criticism of the welfare regimes has never gone beyond the framework of the "degree" and "quantity" of social expenditure, the extent of the social coverage of such welfare, the degree of governments' responsibility, within this "mature" framework, or people cry a wolf or just go their own way and never freed themselves from the pursuit of an institutional framework of a balance between "adaptability" and "flexibility". In fact, Mishra's view that "social welfare more or less means stability" has been proved by the vast contract between the pledges given in election campaigning and the "break-down of promises" after elections by the rapidly "merry-go-round" political parties in Europe.

Part I. The Effect of Globalization onto European Corporatist Welfare Regimes

European corporatism stood the "tests" of the economic crisis in the 1970s and the neo-conservatism of the 1980s and much of the building of social welfare "stands intact," and "the welfare state has not been dismantled by neo-conservatives." However, cracks are beginning to show.....and the furnishings are beginning to look shabby."² What is important is that the ideology has undergone baptism and people have reached a consensus in the discussion of the multi-pillar welfare system and welfare pluralism: social welfare is not equal to a welfare state, a welfare state should transform into a welfare society. Therefore when people were reviving their dream of corporatism in the 1990s, i.e. the neo-conservatism in power were rapidly replaced by democratic parties, "the Third Way" emerged naturally, or in other words, the "Third Way" of the 1990s was born and the coming into power of social democratic parties recalled the "ghost" of corporatism. Anthony Giddens holds that "the Third Way" refers to a certain thinking or policy making framework by which people intend to reconcile with the epoch-making changes of the past 20 to 30 years ... to go beyond the old-fashioned social democracy or neo-liberalism³. Obviously the so-called "Third Way" is neither neo-conservatism, nor social democracy, but a new political-economic theory based on the summary of the failures of the past decades, or in other words, it is the "Third Way" that transcends both the Right and the Left within the framework of capitalism. Its basic policy stand is opposition to both excess state intervention and a negation of state intervention and upholds a proper degree of state intervention. It advocates the rebuilding of a cooperative relationship of mutual trust between the government and the citizens and a vigorous development of commune construction and commune education and to build a "new-type state" on this basis. It upholds both market competition and attention to public interest, advocating "no responsibility, no right" and "no democracy, no authority."

¹ Ramish Mishra: *The Welfare State in Capitalist Society*, Harvester Wheatsheaf, 1990, p.104.

² Ibid., p.xi.

³ Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press, 1998. Chapter 1.

It opposes the cutting back of social welfare, pensions, unemployment compensation and medical care. Obviously, such sweeping assertions characterized by more slogans less thinkings, more ambiguity less clarity, more reconciliation less personality, more plagiarism less innovation are merely the cursors on the spectrum of corporatist factors. Even though in the eyes of the academic circles in the West, corporatism is not a remedy to capitalism.⁴ , then the corporatism of the type of the "Third Way" which lacks an ideological system cannot be considered a new prescription. There are many uncertainties as to whence European corporatism and how to meet the needs of the new situation and new social demands under the guidance of the "Third Way" of trying to sum up the experiences and lessons in policies and theories and seeking ways to maintain the capitalist welfare institution and economic development. But one thing is certain: the regime of corporatism more or less has to readjust its own structure in compliance with the changes of the outside world and the existing objective conditions. In this respect, it has first of all to face the wave of globalization and the issuance and circulation of a unified European currency the EURO and it has to face the tremendous effects to the structure and content of corporatist welfare system, the challenge to European corporatist regimes and the difficulties European corporatist welfare regime has never encountered in history as Europe has entered the 21st century.

(I) The Trade Union, One of the Cornerstones of Corporatism, Faces a Stern Challenge

Corporatism may be simply termed tripartism which many scholars equate with the former. This is because corporatism essentially is tripartism on the social level with the aim to maintain a balance among the various economic and social targets in the light of the general national situation. By tripartism, it refers to the ties formed among the government, the labor force organizations and the organizations of employers, i.e., corporatism, or the "institutionalized cooperation among the major interest⁵". Of the three parties, the trade union organization, on which the corporatist welfare regimes relies for existence, is confronted by a tremendous challenge of globalization.

The transition from Fordism to post-Fordism in the labor market is causing the dwindling of mass production. The Internet and computers make workers increasingly scattered and their work become more individualized. The large numbers of the previous standard and skilled workers are rapidly replaced by new working groups of ambiguous demarcations of authorities and payments. Those important interest ties in the traditional corporatist regime are becoming increasingly relaxed. The increase of immigrants, part-time workers and temporary workers increases the difficulty of organizing trade union activities and makes the authority of trade unions questionable. The coordination provided by labor organizations is no longer a necessity for vigorously raising productivity and the introduction of new technologies and technological processes. The greater fluidity of the labor force makes trade union organizations more lax and unattractive and trade union membership is declining. Legislation in this respect was unfavorable to trade unions and the legal status and the significance of the trade unions were challenged in some countries. Historically speaking, the ratio of trade union organization and collective negotiation coverage in Europe was higher than those in Japan and the United States. Take the year 1997 for example, the figures of those two ratios in Finland were 81% and 95%, and those of Sweden were 91% and 89% whereas they were only 16% and 17% in the United States.⁶ But the figures have gone down in recent years. In UK, for example, the rate of trade union organization went down from 50% in 1980 to 34% in 1994, and the workers coverage rate of collective negotiation went down from 50% in 1980 to 47% in 1993⁷. Please see Table 1.

Table 1. The Ratio of Participant Membership of Trade Unions in Main Industrialized States

⁴ Ibid., Ramish Mishra, 1990, chapter 5.

⁵ Ibid., Ramish Mishra, 1990, pp. 57 - 58, 54, 98. Here Mishra writes :“ the basic tripartite institutions of cooperation such as the Social Partnership in Austria..... ”

⁶ Jiang Lieqing: *Russian Trade Unionists on Social Models and their Trade Unions in Present World*, "Foreign Theoretical Trends", published by Compilation Bureau of Central Committee of CPC. No.3. 2001, p.14

⁷ Hutton, W. *The State We're In*, London, Jonathan Cape, 1995. PP. 91-92.

King, D.S. *The New Right*, London Macmillan, 1987, PP. 118-120.

OECD, "OECD in Figures", Supplement to The OECD Observer, No. 206 P. 71, Table. 3.3.

Country	1995		1985	
	Non-Agricultural Labors	Employees	Non-Agricultural Labors	Employees
Canada	31.0 (1993)	37.4 (1993)	31.2	36.7
France	6.1	9.1	11.6	14.5
Germany	29.6	28.9	30.7 (1991)	35.0 (1991)
Italy	30.6 (1994)	44.1 (1994)	32.9	47.6
Japan	18.6	24.0	22.6	28.8
UK	26.2	32.9	36.0	45.5
USA	12.7	14.2	15.0	18.0

Sources: BIT, *Le Travail dans le monde 1997 – 1998. Reactions professionnelles, démocratie, et cohésion sociale*, Genève. Bureau international du Travail, 1997.

* In the Employees, jobless is not included.

(II) The Weakening of Trade Unions and Their Negotiation Capacity Causes the Disintegration of Institutional Dialogue and the Down-grading of Negotiation Level

The changes in the trade union organizations have caused some subtle changes in the nature of trade unions. Nation-wide section industrial trade unions are undergoing changes in nature in line with the demand of their class stand. Their important role in collective negotiations is being threatened, they have difficulties in collective negotiations on wages and workers' other interests, finding it increasingly difficult in reaching consensus on the national level, their bargaining position being weakened, the contract negotiations going down to the trades, departments or even the levels of general plants and enterprises, and sometimes even to the level of isolated interaction between labor and capital⁸. Please see Table 2.

Table 2. **The levels of the Collective Negotiations in 17 CECD Countries, 1980 - 1994**

Country	The Levels of Collective Negotiations ^a	The Main Negotiation Levels ^b	Country	The Levels of Collective Negotiations	The Main Negotiation Levels
Australia	1,2,3	2 3,1	Norway	1,2	2 1
Austria	2,3	2	New Zealand	1,2,3	2 3
Belgium	1,2,3	2	Portugal	1,2,3	2 2/3
Canada	1,2	1	Spain	1,2,3	2/3 2
Finland	1,2,3	3 2/1	Sweden	1,2,3	3 2
France	1,2,3	2	Switzerland	1,2	2
Germany	1,2	2	UK	1,2	2 1
Japan	1,2	1	USA	1,2	1
Holland	1,2,3	2			

Sources: OCDE, *Perspectives de L'emploi*, 1994.

a. 1=enterprises/factory ; 2=section ; 3=central level.

b. stands for the direction of changes

The best instance to support the above-mentioned advocate is the so-called "5000x5000" contract reached between the German Volkswagen and the German Hardware Workers Trade Union on August

⁸ P. Smitter & R. Grote: Chinese translation of *The Destiny of Corporatism, Past, Present and Future*, quoted by Zhang Jing: *Corporatism*, Chinese Social Sciences Press, 1998, pp. 183-184

28th, 2001. It was first proposed formally by Volkswagen in June 2001, which shows that Volkswagen shall build a plant making family minivans and relocate 5,000 unemployed workers whose monthly wage shall be fixed at 5,000 DM irrespective of the actual working hours and that the workers cannot get their full wage unless they receive periodical trainings. This new model of employment by Volkswagen had been rejected by the trade union in the negotiations two and half months earlier.

The earliest formula proposed by Volkswagen was that the workers work for 42.5 hours a week, of which 35 hours on the production line and 7.5 hours on job trainings. But the trade union pointed out that according to the existing labor contract with the company, the weekly working hours should not exceed 35 hours and may be reduced to even 28 hours when there are insufficient orders and of course the wage may go down accordingly. The trade union said that the new proposal providing for 40 working hours a week had damaged the interests of the workers.

Debates on this mode of employment has never stopped in Germany. The trade unions are worried that it may pose a challenge to the existing mode of labor contracts and lead to differences in income or even the lowering of income among workers of the same work. Furthermore, once this mode of employment prevails all over the country, it may cause a gradual lowering of the overall wage level of the workers. As a result of the intervention by the political circles, negotiations resumed between Volkswagen and the Trade Union on August 27, 2001. After 16 hours of hard bargaining, the two parties reached an agreement on the new mode of employment on the morning of the 28th. The new mode is agreed upon to be effective for three and a half years.

According to Volkswagen, under the new mode of employment, the workers' actual income drops somewhat. Today, the monthly wage of Volkswagen workers is 4,500 DM, plus at least 500 DM of bonus and extra pay for extra working hours particularly on holidays and during non-working hours of which the hourly pay may be double or several times that paid on normal working hours. But by the new mode of employment, a worker cannot get any extra pay except the monthly income of 4,958 DM during the first year of his proper work. The two parties reached an agreement thanks to the good office of the government and all quarters showed a positive reaction to this agreement and even praised it as "a new thinking of resolving unemployment". Chancellor Schroeder even called on other trade unions to follow this example and put for similar and more innovative solutions. But undoubtedly, the workers' actual income is lower than that of the other workers of the same industry while the weekly working hours have increased. Although this "copy-worthy" labor-capital solution was considered an important step forward by the two parties in resolving unemployment and the figure of 5,000 DM is higher than the unemployment benefits, the bargaining capacity of the trade union has weakened and labor negotiation has down-graded from the national level and the trade union is increasingly in a weak position in labor talks while the position of capital is rising.⁹

Trade unions used to be considered a cornerstone of European corporatist welfare regimes and the changes mentioned above shall have "their particular significance." The "alienation of trade unions as a world phenomenon" has spread to many countries. Michel Albert holds that even in countries like Sweden this trend of alienation is so serious that the national trade union organization such as LO has been weakened, its collective bargaining procedure proliferated from the national level to the level of a corporation.¹⁰

(III) The Equilibrium among the Three Forces of the State, Capital and Labor Is Shifting to Capital direction and the Basis for the Relationships between Corporatism and Tripartism Tends to Weaken.

The deepening of globalization has strengthened the position of the capitals in its bargaining capacity in national negotiations, forcing the state to cut tariff, lift control and lower costs (such as lowering wage and welfare levels), and on the other hand the capacity of trade unions is weakened at the expense of the interests of labor to a certain degree in the negotiations with capital as representatives of workers' interests. So the "powerful capital" and "weak labor" will stand out in welfare states as accompanying phenomena in the process of globalization, and the regimes of

⁹ See *A New Mode of Employment Created by German Volkswagen*, carried in "Economic Information Daily", published by Xinhua News Agency, 08/31/2001, p. 3

¹⁰ Michel Albert : *Capitalisme contre Capitalisme* , Editions du Seuil 1998 , Chapter 8.

corporatism are facing new challenges¹¹.

Under the impacts of globalization, the employers, employees and government may bargain on all sorts of economic transactions and this economic order may be disrupted with the opening of economy. Therefore, the organized labor is forced to choose a conciliatory wage and accept the new technologies and work order in exchange for full employment, economic growth and social welfare.

If a government gives up its promise for full employment, capital shall not find it necessary to seek the cooperation of labor. Unemployment and the transnational movement of capital force labor to succumb to the market mechanism. Therefore, as in a country like Sweden, the cooperation in social welfare and the tripartite relationship shall have been greatly weakened, if not totally destroyed. On the other hand, in countries like Germany, Austria and Norway, the mechanism of new corporatism is still functioning. Although capital vis-a-vis labor and the government is strong in view of the structure, there are other factors that may affect the arrangement of the cooperation of social welfare and its continuation.¹²

Suppose other conditions remain unchanged, the degree of corporation centralization will be an important variable to the withdrawal of capital from the mechanism of social welfare cooperation. For instance, it is well known that capital in Sweden is more internationalized and centralized than that in Norway and that perhaps may explain why these two countries are so different in their social welfare cooperation. The state of economy is another variable. Globalization is bringing a structural change to the distribution of interests between capital and labor.

(IV) Globalization shall bring about an external pressure for the reduction of government deficits and the lowering of tax, hence the "reduction" of expenditure on social welfare and other social spending. Meanwhile, in face of the "downward shift" of the welfare policy targets, there will be a resilience of the trend of corporatism that urges for the maintenance or even further rise of the level of welfare.

With the national economy further merging into the world market, the fluidity of capital and finance, the flexibility of interest rates, the dominating position of the financial market and other growing factors will constantly cause the continuous strengthening of the "control capacity" of entrepreneurs while the external pressure forcing the governments of various countries to "lower" taxes; the NGOs, international financial institutions (such as OECD and IMF), corporation employers and company culture development all give out a mounting outcry for the lowering of taxation and the implementation of a low tax policy, the waves of taxation reduction are flowing over the world. A convincing proof of this has been the "tax reduction" wave that has been sweeping across European countries in recent years. For example, Germany intended to reform its taxation as early as in 1994, adopted a tax reform program in 2000 and plans tax cuts amounting to 90 billion DM by three phases in 2001~2005.¹³ Another example is France. The country plans to cut back tax amounting to 120 billion francs between 2001 and 2003, which has been considered the biggest tax cut in a decade in France.¹⁴ Tax cuts give the governments a pressure and pretexts to slash back their social welfare spending and other social expenditures, and the involvement of international institutions such as OECD, is bound to bring pressure to the member states to bear to tune down their social welfare policies and hope that their member states have more optional and flexible social welfare policies. This shows that globalization has two pressures in opposite direction in social welfare and social spending. One is the pressure forcing downward readjustment of the social welfare institution as a result of the involvement of international organizations and the tax reduction policy options. The other is that the demand for social welfare spending keeps rising as a result of the high unemployment rate, the stagnation or continuous lowering of wages, the aging of the population and the increase of single-parent families, namely, the relaxation of the control of the labor market and other relatively flexible social employment policies tend to increase the demand for institutionalized social welfare

¹¹ Ramish Mishra: *Globalization and the Welfare State*, Cheltenham, Edward Elgar, 1999.

¹² Garrett, G. *Partisan Politics in the Global Economy*, Cambridge. University Press, 1998, Chapter 6.

¹³ Qiu Yuanlun: *Tax Reforms in Germany, 2001-2005*, carried in "China Reform Press", 09/20/2000

¹⁴ Please see Zheng Bingwen: 1), *New Trends of Reforms in Major European Welfare States in the Past Year*, "People's Tribune", published by the Theoretical Department of "People's Daily", No. 8, 2001, pp.24-25; 2), *New Trends of Reforms in European Welfare States*, "Economy Daily", 08/20/2001, p. 7;

services, thus forcing social spending and social welfare upwards. The mutual contradictory pressures stemming from globalization are lasting although they are indirect. Although nation states remain independent on making financial and social welfare policies, they have to take into consideration the arguments of international (international organizations) and domestic quarters urging for "defending" the welfare state and against the cutback of social welfare spending (such as the public choice, campaigning politics, interest blocs and changing demographics, etc.), and in some cases there is a possibility of welfare explosion as a result of giving up the policy of tightening social spending in some fields for fear of political and social turbulences. For instance, France has readjusted upward the norms of over ten welfare services on their original basis and has added new welfare items in recent years.¹⁵

Part II. In order to maintain the social welfare, the resilience of trade unions will be a major force in defending the corporatist regime.

With the neo-conservatism becoming off power in the 1990s, the forces of the Right advocating the retrenchment of the welfare state has found their own influence retrenched. But at the same time the forces advocating the maintaining of social welfare state is also serious hurt and the corporatist regime is seriously affected, especially in face of the impacts of globalization which leads to the weakening of tripartism. On the other hand, however, the "impact" on the welfare state, the pluralism of welfare and the difficulties brought about by globalization have to a certain degree caused a resilience of the trade unions, the convergence of the forces of trade unions and the possibility of a constant growth and expansion of the welfare state institution. Those historical deposition and tradition of the European countries is perhaps a social foundation for the existence of the European corporatist regimes and the emergence and development of the "Third Way" theory in the 1990s, or they constitute a major feature and manifestation of the resurgence of European corporatism, and the "Third Way" type corporatism.

(I) In order to strengthen their bargaining position, it has not been rare for trade unions of European countries to take united actions to urge their governments to improve the social services.

The major seven trade unions in France (CGT, CFDT, FO, CFTC and CGC) jointly called on their 5.4 million workers to stage a general strike on March 22, 2001 demanding the government re-open wage negotiations "on the basis of a marked improvement". The main difference between the government and the trade unions lay on the radix for the calculation of wages and pensions in 2000 and those on unemployment subsidies, pensions and other issues. The trade unions believed that the central issue of the rebuilding society was the relationship among the government, labor and capital, which should be resolved as quickly as possible. The government, however, held that the issue could be resolved only after the election of town councils. Again, according to the statistics released by the French Ministry of Employment on November 17, 2000, SMB rose by 1.9% in the year between September 1999 and September 2000 while the price index rose 2.1%. Meanwhile the data released by the EuroStat indicates that in the Euro region the price index went up 2.6% in February 2001 and 2.1% in January 2001 as a result of the rise of the oil price and other factors, in view of the statistics of the past 12 months. The margin of price hike went far beyond the red line 2% set by the European Central Bank. Basing themselves on the "irrefutable fact" that the increase of wage was lower than that of price as shown by the official statistics, the seven trade unions issued a joint appeal to their workers calling on them to join the general strike on March 22, 2001. They published a communiqué after their ultimatum expired and stated that in view of the government's reluctance to resume wage negotiations on the basis of further improving the living conditions of the workers, they called on staging a nationwide general strike and demonstration on March 22. The trade unions'

¹⁵ Please see Zheng Bingwen: 1), *New Trends of Reforms of Social Security in France*, in "China Social Security", published by Labor & Social Security Ministry of People's Republic of China. No.12, 2000. pp.32-33. 2), *Main Welfare States' Reform in Europe since 2000*, in "China Economic & Trade Herald", No.17, published by MOFTEC (Ministry of Foreign Trade & Economic Cooperation, People's Republic of China) pp.41-43. 3), *Main Welfare States' Reform in Europe since 2000 (continued)*. In the same Journal, No.18. pp.41-43.

concrete demand was a 1.1% wage rise but the government consented to only 0.5%.¹⁶

(II) Trade unions in European countries have not only often taken united actions in dealing with their governments and people's attention is drawn by trade union mergers in increasing numbers in recent years.

For example, the five German trade unions in the service sector with a combined membership of three million decided to launch a united action to form a new, unified trade union by the name of "the Unified Service Trade Union (Verdi)" on March 16, 2001 after three years of hard negotiations, which means the birth of the largest service trade union in the world.

(III) An important feature of the tradition of European trade union movement is that the actions of those in the public sectors and state-run enterprises play a much bigger role and yield far better results than those in the private sector.

The recent two decades have witnessed an increasing number of nationwide general strikes, each one on a larger scale than the previous one and some of "historical" dimension. As a result, the conditions of the employees in the public sectors have been greatly improved. According to statistics released by the relevant departments, the average income of those working in the public departments is higher than those in the private sector and the gap is widening, especially in the field of retirement age and the length of working years, however, their service quality has never been improved. People working in the public sectors seem to relish on strikes and the frequency and scale of strikes in those departments have been on the rise. As a contrast, the strikes by workers in the private sectors were not so "satisfactory". There are many reasons for that, but in a nutshell, perhaps the difference lies in the nature of the public and the private sectors. The public sectors generally are in control of the lifeblood line of the nation and there is less possibility for them to fire workers at will, but the private sectors do not possess these features. When the government plans to cut back welfare spending, it turns its attention first to the private sectors or can only do so while the public sectors are always in a secure position. The trade unions of the public sectors out of the consideration of their own interests virtually take a passive or even negative stand toward privatization. The five large trade unions in France (CGT, CFDT, FO, CGC and CFTC) on March 6, 2001 called on their members to take part in the "national action day" for the purpose of "say *No* to the privatization of public departments and to the breaking down of regulations."¹⁷

(IV) The role of trade unions is manifest in the "tax reduction actions" in Europe

For instance, the French government has announced to omit the part of local tax from the "residence tax" beginning in the year 2001. This government action may be traced to the press conference called by the French "National Taxation United Trade Union" on November 6, 2000. The trade union distributed a detailed statistical report in which it pointed out that for reasons of regional autonomy, there is much difference in the local part of residence tax among different regions, which leads to "a virtual unfairness". That means different regions have different rates, such as 0.978% in Parisian region, 1.51% in Alsace, 2.03% in Bretagne, and 2.38% in Upper Normandie. This report played an important role in helping the government make the tax cut decision.¹⁸

Part III. The Impacts of European Integration Process on the Corporatist Regimes

P. Schmitter and R. Grote predicted that as for European corporatism, if the prediction of the first cycle of 20-25 years were correct and fixed its previous depression at the 1973 oil crisis, then it would reach its lowest point in 1985-1988, then reach its peak after 1998-1999 -- that would be the expected time for circulation of Euro-the single currency in Europe.¹⁹ That means when Euro goes into official operation, European corporatism should stage a comeback. No matter whether this prediction is correct or not, one thing is certain, i.e., the process of European integration and the launching of

¹⁶ http://www.insee.fr/fr/ffc.liste_theme.asp

¹⁷ <http://afp.liberation.com/afp/fra/010303182524.n9incr91.html>

¹⁸ <http://www.cnis.fr/frame.htm>

¹⁹ <http://www.afp.com/francais/products/?pid=online/journalleur>

¹⁹ P.C.Schmitter ,J.R.Grote :Chinese translation of *The Destiny of Corporatism, Present, Past and Future*, quoted by Zhang Jing in his *Corporatism*, China Social Science Press, 1998 , p.187

Euro as a single European currency shall have considerable impact on European corporatism.

(I) From the angle of unemployment rate, the birth of Euro should be an indirect factor to the strengthening of corporatism.

Regional financial integration and European single currency will exert a restrictive effect on the credit capacity of the central banks of nation states whereas external pressure will hinder the governments from taking a positive monetary policy at home. As a result, the member nations will adopt relatively tightening monetary policies in place of positive monetary policies.²⁰ On the other hand, under the circumstances of regional tightening monetary policies, it would be difficult to get success for a single country to contradict the trend by taking more positive monetary and financial policies, a proof of which was the stillborn scheme of the President Mitterand in 1981-1983. Contrary to other OECD countries, its West European member countries generally have taken a tightening economic policy in the recent decades, which seems a feature of the economic policies of Western Europe. That gave rise to another feature of West European economy -- a sustained high unemployment rate of two digits in almost all of the years of 1980s and 1990s (the situation was somewhat better in some smaller European countries)²¹, which was much higher than those of North America and Japan. Of course this has something to do with the prevalence of neo-conservatism and its policy concepts in the period. However, as the "Washington consensus" has won the hearts of Europe, people are more open to accept the practice of giving lower weights to the unemployment rate and economic growth in an effort to maintain fiscal balance, price stability and the stability of exchange rates. Especially the pace of European single currency was quickened in late 1980s, the three transitional phases of single currency in the 1990s were fixed and the tightened economy of the Euro region was "finalized." Thus, a high unemployment rate as a "normality" accompanied the birth of Euro into the 21st century.²²

We say the sustained high unemployment rate which was virtually "fixed" by the single currency system serves as a factor to the strengthening of European corporatism. It is because in a long view, it leaves much room for the activities of trade unions in European countries which have fully displayed its role as representing the interests of workers and its value in the "struggle for full employment" and in negotiations with the state and employers and will continue to play a leading role in the workers' movement in Europe.

(II) European integration will serve to facilitate all-European "institutional dialogue."

On the one hand, EU presiding over its member nations has formulated some policies to restrict the welfare states and abrogated some regulations of the nation states which were unfavorable to the development of a unified market. The result is the appearance of something in the development of the welfare states alien to the social functions of nation states.²³ On the other hand, there has appeared a certain all-European mechanism transcending the states in the "collective negotiations" on social welfare issues, which has brought some changes to the labor relations in European countries. For example, EU nations signed in March 1999 agreements on matters related to limitation of labor contract extension and opposition to the lowering of workers' social insurance and similar agreements in farming, food processing and other industries.

The emergence of all-European "institutional dialogue," like the partial transfer of sovereignty of the EU members in other fields, undoubtedly marks the birth of an element of "transnational corporatist regime" that transcends the state, in addition to the state-level "negotiations consensus." This is a new historical phenomenon. What is the role of this "upward" shift to the corporatist element or corporatist regime of the nation states, the role of strengthening or weakening? What is its influence to the social welfare regimes of Europe, expansion or retrenchment?

No doubt, as for the former, the "extension" of the "potential" of corporatism shows the possibility of "spill-over" of the force of the trade union in the tripartism thus defusing and weakening the element of corporatism in the framework of tripartism of nation states. On the other hand, however,

²⁰ Tabb, William A.: *Labour and Imperialism of Finance*, Monthly Review, Vol.41, No.5, October.

²¹ IMFO: *World Economic Outlook*, pp. 205 - 210

²² Liu Yongming: *Open Economy and European Tightening Economic Policies*, "The Journal of World Economy", published by Institute of World Economics & Politics, CASS. March 2001, pp. 21-28.

²³ Zhou Hong: *Whence Welfare States?*, "Social Sciences in China", published by CASS, No.3. 2001, pp.93-112.

the containing power of the "institutional dialogue" on the plane of EU and the scope it reaches after all is limited and resolutions through coordination between EU and its member states ultimately serve as an important foundation and prerequisite for the "all-Europe dialogue." As for the latter, because all-Europe collective negotiations usually take place in systems transcending trades, the "extension" of tripartism will exert a fairly important influence to the welfare system of the nation states and the "release of pressure" will result in the downward shift of the level of welfare. The disparity between "the powerful capital and weak labor" stands out all the more conspicuously in "European corporations" (European transnational corporations) than in other enterprises and there the organized rate and collective bargaining coverage of trade unions are even lower. For example, the relevant acts adopted by the European parliament provide that workers' committees should be founded in "European corporations" to protect the interests of the workers. Yet only 450 out of the 1,300 "European corporations" had such committees by the end of 1998, and what is more, this trend of founding workers' committees has been slowing down. According to the regulations, workers' committees which are supposed to have a say in the management of the enterprise are to be established only in the "bigger" "European corporations, but such "bigger" corporations account for only 3% of the "European enterprises" while their workers account for 50% of the total. ²⁴ Statistics cited above show that the capacity of bargaining and capacity of accepting conditions of the trade unions in the "European enterprises" are rather low, so low that they are a far cry from those in other enterprises. Judging by this fact, the "all-Europe institutional negotiations" cannot, at least for the time being, play an expansive role in the social expenditure and welfare regime of the nation states.

(III) The movement of the factors of production in EU may cause changes in the taxation, redistribution of income, annuity of enterprises and collective negotiation within enterprises of EU members.

The intensified fluidity of capital within EU will bring about a greater flexibility of the demand for labor power, resulting in an easier shift of labor power among the member nations. That means the burden of taxes tend to drift from the owners of flowing assets (investors) to the owners of fixed assets (labor power). Since the 1980s, the average rate of capital tax of France, Germany and Britain has kept declining while the tax rate on labor power has been on the rise. Which inevitably has affected the relative burden of the governments on the overall expenditures on capital and labor, giving rise to a resistance to tax collection, a weakening of welfare and the level of allowance to their nationals, thus reducing the role of the social security system in the redistribution of income. In view of this situation, some people proposed that in order to close the international poverty gap, a number of international tax varieties be introduced ²⁵. The bigger the scale of the flow of labor power, the greater the pressure for closing the gap in welfare among the member nations will be. Therefore it would be an inevitable trend among the member nations of EU to readjust their rights to allowances and the structure of their social security system so as to maintain the nature of the redistribution of income.

Besides, the flow of production factors within EU will affect not only the social security system of its member nations, but also more or less the supplementary insurance, i.e., the annuity of enterprises. It is reported that some big companies are exerting their influence to urge for further standardization of the norms of enterprise annuity, especially the norms of treatment in taxation and restriction to investment in annuity fund in various countries. This is because those companies have employed workers from other EU member nations and hold separate company annuity funds in various countries (International Labor Bureau, Geneva, 2000, pp. 45-47). Changes in enterprise annuity will inevitably influence the framework of the collective negotiation system and the status of trade unions in enterprises.

Reference :

²⁴ Ibid Jiang Lieqing. No.3. 2001, p.15.

²⁵ For example, taxes might be imposed on international capital flow and air travel even though the tax rate may be comparatively low as UNDP predicts that the rate may be below 3% of the global GDP. This part is based on information contained in a release by the International Labor Bureau, Geneva, 2001, pp. 45-46.

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