Social dumping as marketization.

Management whipsawing in Europe's auto industry

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Draft, July 2014

The social dumping debate in Europe is taking place parallel to broader debates on the changing relationship between society and the market. Varieties of capitalism theorists argue that little has changed in Europe's advanced industrialized economies since the 1980s, aside from the expansion of the 'peripheral' workforce relative to the 'core' (Emmenegger et al 2011). Most observers, however, see fundamental change, with detrimental implications for Europe's workforce, and not just labor-market 'outsiders'. According to the 'liberalization' argument, for example, the problem is not only that the increasing size of a less-regulated workforce; in addition, the function of industrial relations arrangements for those workers who are still covered by welfare state provisions, democratic co-determination rights, and sectoral encompassing collective agreements is changing (Baccaro and Howell 2009; Doellgast 2012). This process is biased against social protections for workers and the poor in part due to the corrosive features of market-making regulation emanating from the institutions of the European Union (Höpner and Schäfer 2009; Lillie 2010; Meardi 2012) and in part due to generic features of capitalism (Dörre 2009; Vidal 2013).

The focus of this paper is one slow-burning change in the organization of capitalism in Europe, marketization (Greer and Doellgast 2013, Hauptmeier 2011). We argue that a specific species of marketization, management whipsawing, is causing social dumping in the automotive sector. By management whipsawing we mean the staging of economic competition by large corporations with several production units in a way that extracts labor concessions by pitting local workers against each other in contests for investment and production. Multinational companies (MNC) were the first movers and developed various management whipsawing practices; however, the term was also used historically to describe union whipsawing at large national corporations with several production units (Ross 1948). Management whipsawing presupposes the ability to move production from one location to another, due to (for example) the standardization of production techniques, production of similar products in parallel at different locations, and unutilized production capacity.

Numerous studies, whose findings we will discuss below, have examined whipsawing in the auto industry, mainly as a way of discussing the prospects for transnational industrial relations in Europe. Our contribution is to place this evidence in the context of marketization and social

dumping. Social dumping is defined in Bernaciak's introduction to this book as 'a strategy geared to the lowering of wage and/or social standards for the sake of enhanced competitiveness, which is pursued by companies and indirectly involves their employees and home or host governments'. The large-scale imposition of market relations in Europe over the past few decades makes these practices both inevitable and pervasive. Social dumping is inevitable in the sense that the business community has a strong material incentive to use competition as a lever to extract concessions from labor and the state. Worker representatives, however sophisticated their countervailing strategies are, and however many years they have to develop them (Greer and Hauptmeier 2012), cannot really stop social dumping under the current institutional setup of European capitalism. Social dumping is pervasive in the sense that it takes so many different forms that it no longer requires a credible threat to relocate work from a high-wage country to a poor country. As research on service mobility and worker posting shows, for example, social dumping driven by European market-making can also take place without international relocation of production (Lillie 2010; Lillie and Wagner 2014), and the literature on the automotive sector is full of cases of competition between high-wage locations (see Bernaciak 2012).

This paper follows this argument through in three steps. First, we introduce the concept of whipsawing and discuss certain similarities with other forms of marketization. In addition to intense competition, different kinds of marketization have in common several knock-on effects: the disorganization of non-market social protections due to threats of exit, the development of private regulation by economic elites to extract profits, and the decline in workers' power, income, and security. Second, we show how this dynamic has played out in the automotive sector since the 1990s drawing on the literature on problems faced by European Works Councils. We use these case studies to show the diverse workings of the market mechanism within these firms as they whipsaw, the inadequacy of the industrial relations institutions to break this process, and the difficulties faced by worker representatives in retaining jobs and bargaining with management. Third, we discuss the implications of whipsawing for the social dumping debate, including the role of governments and multinational firms and the necessity of new forms of transnational social regulation beyond the firm, at the scale of the market.

1. Whipsawing as marketization

Whipsawing entails the use of market mechanisms in allocating the resources large corporations for extracting labor concessions. This makes it a powerful level for social dumping. This is hardly a case of 'deregulation'; like privatization, outsourcing, or free trade, it is institutionally thick, requires rules, and has complex organizational dynamics (MacKenzie and Martinez Lucio 2005; Crouch 2011). Despite being enabled by the rollback of various rules that restricted the flow of manufactured goods and capital across national boundaries it is often imposed through the rules and practices of large, often multinational, corporations. While markets are often

treated as something outside of the control of firms and states, of central interest to us is the 'staging' of competition by large firms (Brinkmann 2011).

We define marketization as the introduction or intensification of price-based competition (Greer and Doellgast 2013). Under whipsawing, a transaction takes place between central management and the local workforces, in which concessions are exchanged for investment. Rather than each plant having a fixed, dedicated, and idiosyncratic production palate, the purpose of each plant is decided anew, mostly based on labor and production costs. This can be timed to correspond with the turnover of models and cycles of investments, but if production is highly standardized can the relocation of production can also take place on short notice in the middle of a production cycle. The competition for investment is determined not only by plant construction and closure, but also the standardization of production, the extent of parallel production and in some sectors production platform. In exchange for production allocation and investments, management asks labor representatives from different plants to pay a price in form of labor concessions. While the price mechanism is often obscure to worker representatives, it can be made more transparent to them with improved access to company information or with a formal procedure. This, while free trade has increased the amount of competition in the product market as a whole, there is wide variation in the way whipsawing proceeds within large corporations, in terms of frequency of transaction, the number of competitors, and the working of the price mechanism.

This has disorganizing effects on collective bargaining and worker representation institutions, mainly due to the exit threat (Hirschman 1970). Because firms are able to move production away from a location, workers have less power in negotiations. The consequence is that the function of collective bargaining changes from one of ensuring worker voice, fair pay, or macro-economic stability due to strong worker demand; instead labor representatives focus on production allocation with the aim of securing jobs and previous labor gains. This is the case, because key labor outcomes can only be defended if plants run at full capacity. Workers in underutilized plants face job losses or closure in the context of tight product markets. Along the way, as we will show below, multinationals import new practices into national institutional contexts where they had previously been resisted. Thus multinationals have greater latitude in how they 'enact' the rules of an industrial relations system (Wagner 2014) and are therefore less constrained by these rules. The availability of domestic exit options via outsourcing gives them even stronger bargaining power in various support services where, outside the larger companies, low wages prevail (Doellgast and Greer 2007).

In other forms of marketization that hinge on public regulation, states engage in 'quiet politics' in which policymakers defer to the expertise of the business community (Culpepper 2011); in whipsawing the regulatory practices are within the private firm. There are the practices of making the market: how investment decisions are made, and if there is formal tendering, how that is organized. (Such private regulation also takes place in sourcing auto parts – see the Telljohann paper in this volume). This process matters for distribution, not only of income, but also power and security. Corporate managers have whipsawing as a tool to battle the profit

squeeze caused by the saturation of the market – i.e. its highly competitive nature, overall excess production capacity, and the absence of stable growth. The result is concession bargaining: unionized workers in industrial cores lose their ability to make gains. There are also numerous example of whipsawing used to target concessions at particularly vulnerable groups of workers, such as young people and workers in easy-to-outsource support services. This process presupposes a sense of insecurity across the workforce, including 'core' workers in automotive assembly jobs. While this insecurity has obvious negative implications for the power of trade unions and works councils, it can also lead them to become influential as co-managers if they focus their efforts on topics where they can agree with management on 'mutual gains'.

By focusing on whipsawing, this chapter raises the question of what is gained from a marketization analysis as opposed to recent developments in comparative political economy stressing dualization (and attempting to rescue traditional varieties of capitalism theory by distinguishing between labor-market insiders and outsiders) and liberalization (which largely rejects this distinction). Studying marketization, however, supports the latter position in focusing on the importance of changes in market relations and their effects across the workforce. It moves beyond the liberalization discussion, however, by examining the micro-level institutions governing competition that are outside the realm of the welfare state and industrial relations. In order to understand why the distributive outcome of this process is so biased against workers, we do not only examine the disorganizing face of market making. We also examine the rise of new regulatory arrangements, which in this case are built into the multinational corporation and govern both industrial relations and investment decisions.

2. Whipsawing and its effects in the auto industry

Management whipsawing more widely emerged during the 1980s at the American firms General Motors and Ford (Katz 1985; Turner 1991) and during the 1990s and 2000s spread to European firms, including and the Italian and German car makers FIAT, Volkswagen (VW) and Daimler Benz (Hauptmeier and Greer 2008, Meardi 2000). In Europe whipsawing emerged within the context of the liberalization of market rules and the creation of a single European auto market, which made it easier for companies to integrate production networks and shift production across borders. Whipsawing did not merely take place due to competition between high-wage and low-wage locations, although this did happen. Lower-wage locations in Southern Europe were also threatened or closed, and often competition was staged between high-wage locations. While the best-known cases of whipsawing were competitions between locations in different countries, there were also instances of competition between locations in Germany.

The diversity of whipsawing. Over the last three decades a number of different types of management whipsawing emerged (Greer and Hauptmeier 2012). In the context of increasing market competition in Europe, management pursued two contradictory goals simultaneously. On

the one hand, managers sought to extract concessions and reduce labor costs through whipsawing. On the other hand, managers sought to establish labor-management partnership to ensure high-quality production, which managers also regarded as essential for surviving in highly competitive markets. Companies struck this balance between forcing and fostering in different ways (Walton & McKersie 1965), which shaped the emergence of various whipsawing practices.

An initial standard type was coercive whipsawing (Mueller & Purcell 1992; Katz 1993): management pitched different plants in competition over production against each other and explicitly threatened the plants targeted to shift production to other plants if the concessions were not high enough. Because this type of whipsawing regularly disrupted labor-management relations and led to conflict, management engaged in informal whipsawing. In these instances, local managers informally and casually mentioned that production decision were coming up. This friendly tip by local managers often took place before collective bargaining rounds. Without explicitly threating to shift production, the logic of the hints were clear. Labor was supposed to agree to concessions or even to suggest them, if they wanted to be considered for new production and investments by regional or world headquarters.

Another management strategy to balance collaboration and coercion in a different manner was the introduction of rule-based whipsawing. In these instances managers sought to establish clear rules and expectations for the competitive assignment of production with the goal to increase the legitimacy of the process. Management introduced a bidding process between competing plants, and plants with the best bid, meaning among other things higher labor concessions, would receive the greatest share of production or the entire production volume. In effect, management created a within company market for the allocation of production (Hauptmeier 2011). An accompanying rhetoric was often that management generally pointed to the efficiency and fairness of markets in societies, and thus management suggested that the market mechanism is a fair allocation principle even if it would lead to concessions.

Finally, managers developed hegemonic whipsawing. In this type of whipsawing, managers spent considerable time and resources to influence labor representatives' ideas, seeking to convince them that whipsawing was necessary to survive in highly competitive auto markets (Hauptmeier 2012, Greer and Hauptmeier 2012). Management argued that the competitive assignment of production was necessary to stay 'fit' in competition with other firms. This discourse regularly connected with the sports-oriented and competitive mental frames of male labor representatives.

Coercive whipsawing was the dominant form at GM Europe between 1995 and 2003. It involved extracting concessions through explicit threats to move production. This was underpinned by benchmarking of performance and practices, which allowed firms to compare locations for purposes of making demands in collective bargaining. Coercive whipsawing was used in landmark concession bargaining in in Germany, Belgium and the UK in 1995 and 1998, but it

was also used to discipline striking workers at VW's Spanish subsidiary SEAT, where management followed through on a threat to move work from Martortell (Barcelona) Bratislava (Slovakia) in 2002. Another example is Ford Spain, where management threatened to move work to Saarlouis with the aim of squashing local labor protest

However, firms often refrained from explicitly threatening labor from shifting or withholding production, due to their desire to protect cooperative relations with labor and sometimes due to having less spare capacity. At Ford, for example, the more common pattern in Europe as well as in North-America has been informal whipsawing. From the 1990s on, following the spread of rumors about new investment decisions within Ford Europe, German worker representatives would approach management with an offer for concessions in exchange for securing production. The background of this was a general awareness in the firm of potential overcapacities and the likelihood of eventual plant closures, as well as developing management benchmarking practices, but at the same time a desire on management's part to avoid disrupting partnership through raw coercion. It was this kind of whipsawing that led to concession bargaining in Germany in 1993 and 1997, which drove the convergence of previously higher company-level wages at Ford to that of the level of the sectoral collective agreement and provided legally enforceable guarantees of investment and production. These guarantees precipitated the end of Ford's 'blue oval' auto production in the UK after more than 80 years. During the downturn of the European auto market at the end of the 1990s, Ford was forced to reduce production capacities. As the investments at the German production sites were protected, Ford decided to close the historic Dagenham plant.

Rule-based whipsawing meant in some ways a further development of whipsawing. (Hauptmeier 2011). Several firms on a particular platform would be invited to bid to produce a particular mode on the basis of costs and other criteria, and the plants whose bids did not succeed would be susceptible to closure. This was employed by General Motors in an attempt to increase the legitimacy and transparency of its drive for concessions after a Europe-wide work stoppages coordinated by the EWC. It was also used by VW after 1999 in its parts operations; plants would have to bid against external suppliers and adjust their labor costs accordingly.

A further sophisticated way for management to secure the consent of worker representatives is hegemonic whipsawing, which became the dominant pattern at VW during the 2000s. Unlike informal whipsawing there were explicit threats formulated by management, but these threats took place in a broader context in which worker representatives considered them a legitimate way to keep different workforces 'on their toes' with a focus on staying competitive. This was in part due to management's efforts to influence the ideas of worker representatives, partly through taking a more thorough engagement with worker representatives than at the other firms, and partly by providing worker representatives with salaries equal to those of top managers as well as numerous perks. The latter involved management payments for prostitutes in the context of works council meetings, which were illegal, caused scandal, and were later repudiated by the works council (Greer and Hauptmeier 2008).

It should be noted that the above-sketched organization of labor competition regularly coincides with the staging of two other forms of competition. First, MNCs set locations in competition to each in the context of new investment and production decision. Management asks politicians for subsidies in the form of infrastructure, training, social benefits or provision of land in exchange for new investments (Dörrenbächer & Geppert 2011). Since the latter involve jobs and economic growth that score highly in elections – especially in the auto industry, which is highly symbolic of industrial success – politicians are as susceptible to whipsawing as labor representatives. The staging of competition between locations can happen at different scales and cities, regions/states or nations have variously been pitched against each other with the aim of extracting subsidies. The EU has sought to limit this type of competition and made various subsidies illegal. However, the new EU regulations have not been very effective as could be seen during the financial crisis at the end of the 2000s, when different nation states subsidized automakers through scrappage bonuses and short working time benefits.

Second, local managers from different plants are set in competition with each other in the context of investment decisions by regional or world headquarters of multinational companies. According to higher-level managers in large auto companies, local managers are inclined to use the introduction of new car models to upgrade machinery and robots, which can be costly for multinational companies. Because of these costs, local managers are also asked to submit a bid for new production, which is supposed to explain how much the roll out of a new car model would cost at a given plant and how existing machinery can be used in an efficient manner. The bids of local managers and labor concessions by workers representatives are regularly submitted to the headquarters of the multinational corporation at the same time. The staging of competition between different plants can have the effect that local managers and labor representative explore shared interests and engage in local productivity coalitions (Windolf 1989).

Institutional effects: concession bargaining. While market-making rules allowed whipsawing to emerge as a management strategy, industrial relations rules failed to break the dynamic of whipsawing. To the contrary, they altered the workings of industrial relations by changing the function, meaning, and consequences of industrial relations institutions. The failure of the EWC directive to compensate is due, not so much to its low take-up rate (though this is a real problem [Kerkhofs 2006]), but rather due to its failure to give workers a voice in shaping the broader product market, to which MNC management was responding.

The differences in national institutions governing worker participation gave national workforces varying degrees of access to management, both locally and internationally. This gave rise to very different cultures and expectations in the workers camp, which the European Works Council directive did little to blunt these dynamics. The restructuring of Rover by BMW was a notorious case of a failure to inform UK worker representatives of looming plant closures, despite the fact that German worker representatives had this information (Tuckman and Whittall 2002). Aside from very basic problems with implementing the directive in firms and dealing with the language barrier, national differences between members of EWCs gave rise to low levels of trust

(Timming 2006). This led to some creative efforts to promoting social partnership practices well in excess of the statutory minima set out in the directive and the national laws that implemented it (Greer and Hauptmeier 2008), including deliberate attempts to change ideas and promote a shared European identity (Whittall et al 2007; Greer and Hauptmeier 2012).

National employment relations practices were altered by whipsawing, as firms used it to introduce forms of concession bargaining pioneered elsewhere. In Germany, for example, whipsawing was used to disrupt in various ways the former principle of encompassing and compressed pay scales, and allowed firms to introduce multi-tier wage structures. Pioneered in the US, multi-tier wage structures allowed firms to save money while protecting incumbent workers, but introducing reduced pay grades for selected and new groups of workers. In response to management threats to produce a new vehicle, the Touran, outside of Germany, for example, worker representatives agreed to a project known as 5000x5000, which created new jobs for unemployed people at a lower pay grade (Schumann, Kuhlmann, Sanders, and Sperling 2006). At Daimler in 2004, a threat to move production from Stuttgart to Bremen led to an agreement to reduce the pay of workers in auxiliary services, such as catering, cleaning, logistics, and security, which was presented as an alternative to outsourcing. Pay structures within auto plants became extremely complex, with additional concessionary agreements differentiating workers by seniority and function, as well as employer, with different pay levels for agency temps, contractors, and staff transferred due to joint ventures (Greer and Hauptmeier 2008).

Another example is working time flexibilization. VW began to use working time flexibility as a primary mean to reduce labor costs in the 1990s. VW's HR manager used the metaphor of the 'breathing company': workforces were supposed to adapt production levels to the demand in the markets, which meant for example longer weekly working hours during peak demand in the summer and shorter weekly working time during the winter months with weaker demand. VW introduced far-reaching working time flexibility across Europe in the 1990s; however, Spanish worker representative at SEAT resisted these changes, because they regarded a stable working week as a historic trade union gain, which they staunchly defended in several collective bargaining rounds during the 1990s. In 2002 VW asked once more for more working time flexibility and was again rebuked by local labor representative. Following the negotiations with labor VW made good on its threats and moved 10% of the production to the Bratislava plant in Slovakia within days. This came as a shock to the workforce and the allocation decision was only reversed once the labor representatives agreed to far-reaching working time flexibility in 2004 (Hauptmeier and Morgan 2014).

Worker responses. These dynamics led to considerable innovation by workers representatives. There was, for example, a proliferation of firm-level transnational agreements at Europe's MNCs with the explicit aim of curbing social dumping by introducing certain norms (see Da Costa and Rehdfeldt 2007; Fichter et al 2011; Platzer and Rüb 2014). Some of them, including the first agreement which was at Ford's spun-off parts operation, Visteon, covered topics not usually found in collective agreements such as sourcing by the assembler. Others had various

management mechanism built in to enforce the rules, including Daimler's. At these firms, transnational worker representation was augmented well beyond the minimal practices envisaged in the EWC directive. At Daimler and VW, for example, there were several innovations aimed at improving transnational labor-management partnership, including the extension of the EWC to the global level, as a World Works Council (Greer and Hauptmeier 2008).

At General Motors, the European Works Council developed a sophisticated internationalization strategy combining strong element of rank-and-file mobilization with demands for transnational collective agreements with management (see Fetzer 2008; Bernaciak 2010; Greer and Hauptmeier 2012). It intensified its work for some time in response management whipsawing and its own failures in responding and consciously sought to compensate for the failures of national action by shifting its activities to the transnational level, which meant improving communications and relations between its members. They met frequently, learned a common language (English), created a blog in which debates continued between meetings, and organized numerous bilateral exchanges between plants in different countries. Much of this work consisted of convincing rank-and-file workers the value of international work and involving them, via days of action. When management attempted to formalize the market for investment at the level of the 'platform', the EWC responded by creating a 'platform group' whose members agreed not to bargain individually with management.

These struggles, however, were limited in a number of ways. The story of labor transnationalism at GM Europe, for example, is one of a struggle against whipsawing and plant closures, and not the prevention of concessions. The solidaristic principle was to 'share the pain' not to reduce it. Furthermore, this principle was never fully realized in practice, since management did succeed over the years both in extracting local concessions and in closing plants. Often this undermined trust between worker representatives, since local agreements violated principles that had supposedly been agreed between worker representatives at the European level. There were therefore not only material conflicts of interest, but also fierce rivalries and enmities. These did not only divide workers by country, but also within country, as in the ongoing conflict between works councilors at Rüsselsheim and Bochum in Germany.

Note as well that GM Europe was an unusually well-developed case of transnational worker representation. The more normal pattern for auto assemblers based in Germany, or whose European operations were centered on Germany, was for there to be far more labor-management cooperation. This meant at VW an acceptance of between-plant competition as something healthy; other times, like at Ford, it meant a more subtle dynamic of competition in which management did not normally have to issue clear threats. When it came to re-establishing solidarity the problem was therefore not usually just ineffectiveness; more often it was a lack of ambition.

The economic crisis brought renewed state intervention, which not only stoked conflict between members of GM's EWC, but also increased the broader political stakes at the national level (see

Bernaciak 2013, Fetzer 2011, and Klikauer 2012). In a dramatic turn of events in 2009, GM declared Chapter 11 bankruptcy in the US, solicited takeover bids for its European operations, and then reversed its decision and announced its own restructuring plans.

This round of restructuring exacerbated tensions between worker representatives at GM and sidelined the EWC as an institution. This was not only because this round of restructuring was, even more than usual, certain to lead to plant closures, with winners and losers. It was also because members of the European works council were working publicly, and in close cooperation with national governments, to influence the outcome. German trade unionists publicly favored a takeover bid from a Canadian-Russian consortium with strong loan guarantees from the German state in exchange for guarantees of jobs and production in Germany. Trade unionists in Spain and the UK were opposed due to the guarantees of jobs in Germany and were relieved by the eventual outcome. Spanish unions went on strike against the threatened move of production to Germany and Tony Woodley, the leader of the British union UNITE, called on the European Commission to block the deal. In the end, plants were closed in Antwerp and Bochum, and the European headquarters moved from Zürich to Rüsselsheim.

The European auto industry provides telling examples of what happens when market relations are imposed with little in the way of new countervailing social protections. What is remarkable is not that there are particular and conflicting interests in the labor camp that prevented a solidaristic settlement. Such conflicts of material interest are well-known and well-understood features of international trade. It is also not surprising that the institutions aimed to promote social dialog are inadequate in enabling workers to stand against wage-based competition. Just as national-level collective bargaining and co-determination rules proved to be inadequate for coping with an internationalized economy, EWCs at the scale of the firm were never going to be very useful for coping with the consequences of fierce competition at the scale of the product market. More interesting is that whipsawing, a high-profile example of social dumping with obvious and severe corrosive impacts on formerly egalitarian industrial relations institutions, could repeat itself for so long in a continent supposedly renowned for strong worker rights and social protections. Also remarkable are long-lasting attempts by trade unionists to fight whipsawing and build solidarity within an institutional framework so conducive to corporate divide-and-rule strategies.

3. Implications for the social dumping debate

What does our analysis of whipsawing as marketization have to do with the policy debate in Europe over social dumping? In our view, it has implications for understanding the actors and processes involved. While the term ‘social dumping’ has been used in many ways, a common way to discuss it is to point to low-wage countries passing unfair regulations that attract jobs from high-wage countries. Bernaciak (2012) provides a conceptual critique of this position; the

task here is to provide an empirical critique, propose a marketization-focused alternative, and suggest implications.

Our analysis highlights differences between the crude version of the social dumping argument and the reality of the European automotive sector. First, the key actors driving the phenomenon of whipsawing are central management in multinationals, and to a lesser extent firm- and plant-level worker representatives and local managers, and not national government in poor countries. The latter only rarely play a central role in whipsawing. States do matter, but it is more often the institutions, the sedimented results of past legislation, that shape these dynamics. They tend to do so in unintended ways, e.g. when works councils use their rights to democratic participation in the workplace to out-compete their counterparts elsewhere.

The examples above show that competition is not merely between high-wage and low-wage countries, but is happening across the production system and product market. The decisions of management may be swayed by reductions in labor costs brought about by concessions, but there are other considerations as well, such as proximity to markets and labor productivity. Sometimes competition is within a country or between high-wage countries, and sometimes high-wage countries succeed in attracting jobs from low-wage countries. In addition, the high-wage/low-wage division is in flux. Sometimes, as in the case of Spain, a low-wage country becomes a high-wage country; and other times, as in the case with Poland and its neighbors to the south and east, a low-wage country finds itself in competition with even lower-wage countries.

In addition, the moral dimension of whipsawing is more complex than the crude social dumping argument would have it. Whipsawing may be unfair in that it is used to extract concessions from workers and distribute resources to shareholders; but often managers try to make it legitimate in the minds of worker representatives, by taking seriously information and consultation mechanisms at the transnational level or creating a consistent framework of rules. Sometimes they succeed. The ethics of bargaining under a threat of plant closure are also far from clear-cut. While the problems created for workers by footloose capital are clear, the workers involved in any given case have to make a difficult decision over a trade-off between conceding past accomplishments of the labor movement and protecting regional jobs and manufacturing.

The operationalization advocated here emphasizes a close link between marketization – in this case, transnational whipsawing by management – and social dumping. While whipsawing is enabled by the liberalization of markets for goods and capital across Europe, it is fundamentally driven by management. The decisions that shape worker outcomes are made by managers and not by politicians accountable to voters, bureaucrats accountable to politicians, or trade unionists accountable to members. While the function of industrial relations becomes the upward redistribution of resources in the name of securing jobs and an institutionally thick arrangement emerges within the corporation to stage market competition to ensure that this happens. The threat of exit has central importance in this kind of social dumping, and this process is governed

by the internal structures, rules and practices of the firm with an eye to increasing profitability or mitigating losses.

One implication of this analysis is that any policy initiative to stop social dumping, and the resulting trend towards inequality in Europe, needs to deal with other market-making institutional changes. It may be that changes in taxation, industrial relations, welfare, or other areas of policy can compensate to a limited degree. But there is little evidence that they have reversed the overall trend, in part because states also make concessions in these areas to appease markets, or (more specifically) the powerful actors in markets such as managers in large corporations. In the auto industry, firms extract concessions from the state in the form of subsidies such as scrappage schemes, loan guarantees, infrastructure investment, and wage supports, on the eve of a pan-European drive for public-sector austerity. The policies that allow firms to extract these, by threatening exit in various ways, are market-making policies creating a global automotive sector.

A second implication is that social regulation is needed at the level of the market. Because firms organize transactions – e.g. the exchange of concessions for investment – extending co-determination rights is not irrelevant to whipsawing. But the experience in German automakers shows that this kind of social regulation is insufficient. To the extent that workers are integrated into the management of firms that are competing in saturated product markets, their representatives also internalize the demands of the market as co-managers and engage in concession bargaining. While markets are made to a large extent by states, the stories of production allocation sketched above show that the day-to-day working of competition is organized by private actors not subject to any sort of democratic accountability.

It may seem naïve to propose bringing the marketizing face of European integration to a halt; but while marketization continues, it will be naïve to think that reforms in other areas might produce a ‘social’ Europe. Market change is a root cause and should be dealt with accordingly.

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