

**WP6: Governance of Uncertainty and Sustainability:  
Challenges at National, Sectoral, Territorial and  
Company levels**

**Final Report  
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## 1. Introduction

Workpackage 6 has focused on two key aspects of the infra-national governance of uncertainty, namely the reorientation of collective bargaining, a central mode of labour market governance to address questions of competitiveness, flexibility, employment and income security (WP 6a), and emerging models of regional governance of labour market uncertainty (WP 6b). WP6a has specifically asked whether

- the scope of collective bargaining has changed together with the increase of uncertainty
- there are trade-offs between different areas of uncertainty and sustainability
- and how new uncertainties are distributed (zero sum games, are there winners and losers, and has there been space for genuine positive compromises)?

Although we have been interested in longer term trends, the timing of our research has made it imperative to pay specific attention to the impact of the global financial crisis and the crisis of the Eurozone. WP6a has concentrated on the analysis of two sectors that epitomise major uncertainties: the metal sector, in which traditionally associational governance has played a significant role, but in which heightened exposure to world markets and internationalisation has put collective bargaining under strain; and the health care sector, which has traditionally been sheltered from a too harsh exposure to the markets, as it was believed that access to increasing capacities of medical science and care practices should be widely shared and public. However, frequent policy changes and the post-crisis drive towards austerity have exposed this sector to high uncertainties as well.

Our activity has proceeded in two steps: First, the team has produced a data inventory mapping the main substantive and procedural developments in collective agreements in the two sectors in seven countries (France, Germany, Hungary, Italy, the Netherlands, Slovakia, and the UK). This mapping drew on a program of interviews with employer association and trade union officials and academic experts together with analysis of documentary sources for each country. Second, based on these inventories, the team has produced a number of academic papers comparing developments across countries and sectors.<sup>1</sup>

WP6b has specifically asked:

- What have been the responses of European cities to the impact of increasing territorial regime competition brought about by globalisation?
- If it is possible to find similarities among these responses?
- What is the impact on these cities of the recent financial crisis?

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<sup>1</sup> See appendix for a detailed list of all papers.

In order to understand if a common model is emerging among European cities we decided to focus on Italy, France and the United Kingdom, countries characterised by very different institutional architectures, by different ‘varieties of capitalism’ and by diverse centre-periphery relations. The emergence of commonalities in territorial governance modes among cases that are characterised by relevant differences in national regulatory settings would have supported the hypothesis that the rise of ‘common principles and practices’ among EU cities is a spreading and relevant phenomenon. We carried out a preliminary analysis of local governance based on an in-depth study of secondary literature and data for a wide range of cities of the three countries, and then we focused on three detailed case studies, Lyon, Turin, Birmingham, three cities that have in the recent past been faced with important process of restructuring and intensely exposed to international competitive pressures.<sup>2</sup>

The final report is structured as follows. The next four sections summarise the main findings of WP 6a and 6b respectively, and tease out the main implications for actors and public policies. The appendix lists the academic teams that have contributed to Workpackage 6, as well as the academic and policy papers that the team has produced.

## **2. Major findings – collective bargaining**

The major findings of WP6a can be summarised as follows:

- Collective bargaining as a governance form continues to be of significance, but in addressing new as well as old uncertainties trade-offs have increasingly focused on securing employment, or employability, and not only wage improvements
- Contrary to existing assumptions, encompassing and powerful trade unions are not a root cause for creating labour market outsiders. Instead, the current trend towards decentralisation of bargaining and weaker trade unions might exactly foster the emergence of insider/outsider cleavages
- Public policies are crucial for promoting sector and company agreements, but at the same time, public policy has also turned into a major factor of uncertainty
- As a consequence of heightened policy and political uncertainties, traditionally sheltered sectors are increasingly losing their privileged place, whereas uncertainties stemming from markets and increasing competition have in some countries bottomed out for traded sectors.
- The financial crisis has prompted a re-nationalisation rather than a Europeanisation of collective bargaining

Below, we look at each proposition one by one.

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<sup>2</sup> See working paper 7 and Burroni L. (2012) “The Boundaries between Economy and Society in European Cities” in Burroni L., Keune, M. Meardi G. *Economy and Society in Europe. A Relationship in crisis* for the general analysis on a wide series of cases.

## **2.1 Collective bargaining as a governance form continues to be of significance, but in addressing new as well as old uncertainties trade-offs have increasingly focused on securing employment, or employability, and not only wage improvements.**

In addition to grappling with older uncertainties invoked by job loss, redundancy of acquired skills, work-induced health and well-being problems and income losses associated with each, collective bargaining is confronted by newer uncertainties stemming from increasing turbulence in competitive conditions as a result of internationalisation of markets and production, heightened risk of job loss resulting from legal and other changes introducing less secure forms of contract status and changes in payments systems leading to greater volatility in incomes.

In the metalworking, and wider manufacturing, sector collective bargaining retains its prominence as a form of governance mainly in continental northern Europe but also including Italy, in which multi-employer agreements concluded at sectoral level establish a framework of substantive parameters which is binding in its effect on companies and their workforces. Comprehensive coverage of these agreements is ensured by use of legal extension arrangements in many of the countries concerned, and in the Nordic countries by almost universal firm membership of employers' associations and high levels of union membership. Germany, where extension arrangements are often not applied, presents something of an exception and is the one country amongst this group which has seen an appreciable decline in collective bargaining coverage over the past decade. Amongst central eastern Europe countries, sector-level multi-employer agreements have similar effects in Slovenia and, to lesser extent, Slovakia. Elsewhere, where single employer bargaining prevails, as in the UK, Ireland and much of central eastern Europe, collective bargaining in manufacturing covers only a minority of the workforce and coverage has undergone a mild decline over the previous decade.

In all the countries covered by our research, however, the findings show a distinct trajectory in the agenda and outcomes of collective bargaining in metalworking over the opening decade of the 21<sup>st</sup> century. Given metalworking's leading role as an export-based manufacturing sector, this is a trend which is likely to be reflected – albeit not as sharply – across other parts of manufacturing as well. The bargaining agenda has increasingly been framed around measures to enhance competitiveness, in which measures to reduce costs and/or increase flexibility are central priorities for employers. The emphasis in negotiations over wages has become one of moderation, in place of the gain-sharing that characterised the productivity bargaining of earlier years. Concomitantly, workforce, and trade union, attention has increasingly turned to securing guarantees on future employment levels, including commitments to particular investments or production mandates or to anticipative measures to avoid compulsory redundancy, and to measures, addressed to acquisition of skills and ongoing training, to promote employability. The effect has been to entrench employment as a further 'general equivalent' (in addition to, and to some extent in place of, wages) against which

other measures are traded. On the one hand, the result is a form of concession bargaining in which workers agree to flexibility and/or cost concessions in exchange for some form of employment guarantee. On the other hand, this development evidences the rise of a certain type of integrative agenda in which outcomes can be positive sum.

The financial crisis, and the sharp economic downturn which ensued, have served to reinforce this trajectory. Our findings demonstrate that restoring competitiveness and maintaining employment were central to the agenda of the crisis-response agreements which characterised manufacturing, and were particularly widespread in metalworking in several of the seven countries in focus. We identified three different aspects of protection from economic uncertainty pursued in crisis-response negotiations: direct protection from economic insecurity; a distinction between long-term maintenance of skills and short-term cuts in wages and/or jobs; and protection from procedural uncertainty, which is also returned to under 2.3 below. On the first, trade-offs were apparent between different forms of protection for workers and employers, respectively, as well as between workers and employers. The principal trade-off between employers and workers focused on securing short-term reductions in the scale and costs of production against protection of employment. For workers, the outcomes – in which short-time work, measures to mitigate job loss, employment guarantees and concessions on substantive matters were all to varying degrees prominent – suggest that protection over job loss predominated over deterioration in pay and conditions. For employers, the key trade-off was between securing immediate cost reductions and retaining trained and experienced labour, and concerns the second aspect of uncertainty protection. Employers face a dilemma between responding to short-term exigencies with immediate effects on the workforce and sustaining the conditions for medium-term business success. This explains why the decline in output over the sharp economic downturn was accompanied by a decline in employment of a much smaller magnitude. There is considerable evidence that collective bargaining played an important role in underpinning this moderating effect, through agreements which traded-off, for example, short-term working and/or reduced pay in exchange for maintenance of employment. In addition, under such agreements cooperative relations with the workforce, also necessary to future business prosperity, are more likely to have been maintained. In several countries, supportive public policy in the form of statutory short-time work and similar schemes, subsidised the wages of the workforces concerned thereby enhancing the capacity of collective negotiators to cope with the effects of market uncertainty.

Third, uncertainty in rules can be a source of substantive uncertainty, and sustaining enduring procedures can be a means of reducing this. By providing a measure of certainty, sector-level negotiating arrangements, by mapping out the possibilities for further company-level negotiation on crisis-response measures, served to increase the incidence of the latter and to protect against outcomes at company-level which are mainly distributive (workforce concession with no compensating measures from the employer). Multi-employer bargaining provides the most likely framework in which firms can take on the risk of offering both longer-term trade-offs and procedural

certainties. However, these substantive and procedural certainties are being qualified by further movement in the process of 'organised decentralisation' under which bargaining competence is progressively devolved towards the company within the framework of sector agreements. As a result, the universal standards which prevailed hitherto are being qualified by growing perforation through ever more opening, opt-out and similar clauses in sector agreements and, as noted above, by erosion of their coverage in some countries, notably Germany. The effect of the financial crisis has been to accelerate this direction of travel in some countries, and to trigger break points in others.

Amongst those countries where sector-based bargaining arrangements establish a binding framework of substantive standards a distinction is evident between two groups of countries. In the Nordic countries, Germany and the Netherlands, the process of organised decentralisation has been extended further under recent agreements between employers and trade unions, with even wage setting being opened up to company-level variation over the past three years. In contrast, in Italy existing arrangements articulating the sector and company levels have been modified under heavy pressure from the European Central Bank and European Commission in the context of the Euro crisis<sup>3</sup>. A step change weakening the purchase of sector-level bargaining on wages in favour of the company level has been enforced. A similar change, resulting from similar coercive pressure from the ECB and European Commission has occurred in Spain's less comprehensive multi-employer bargaining system. Ireland and Slovenia's long-standing cross-sector wage-setting arrangements also succumbed to the pressures brought by the financial crisis. Elsewhere, in the absence of multi-employer bargaining arrangements in the UK and much of central eastern Europe, the capacity of collective bargaining to provide protection against the heightened uncertainties brought by the crisis has been confined to the minority of the workforce which are covered and, amongst this minority, to the specific contingencies shaping the power relations between the parties in particular companies.

In the public services, including the hospitals sector on which our research focused, levels of workforce organisation by trade unions have traditionally been high and collective workforce governance mechanisms, either under the sovereign approach resting on statutorily-backed administration by the state or the model employer approach resting on collective bargaining, well entrenched. Immense pressures on these arrangements have, however, been building in most of the seven countries in recent years from wide-ranging reforms to the governance and organisation of publicly-provided hospital health care. Influenced by the doctrine of 'new public management', governments have tried to introduce market mechanisms into their formally public

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<sup>3</sup> On the August 5<sup>th</sup> 2011, the European Central Bank's incumbent and elect presidents, Jean-Claude Trichet and Mario Draghi, wrote letters to the Italian and Spanish governments asking for austerity measures and structural reforms as a condition of intervening on the markets to purchase Italian and Spanish government bonds. Amongst the structural reforms specified were changes to collective wage bargaining systems to allow greater scope for firm-level agreements which tailor wages and working conditions to firms' specific needs. The letters were revealed by the *Corriere della Sera* at the end of September. See G Meardi (2012) 'Employment relations under external pressures: Italian and Spanish reforms 2010-12' Paper to the International Labour Process Conference, Stockholm, March 27-29<sup>th</sup>, 2012

hospital services via privatisation, corporatisation, marketisation, decentralisation, and managerialisation. Our initial expectation therefore was that these changes would produce a break with established state-administered arrangements and collective bargaining forms and patterns, and a decline of bargaining coverage. What our research found, however, was that existing arrangements in six of the seven countries (Germany is the exception) have not been dismantled, but have been modified, reconfigured and even in some cases extended. In some countries collective actors have even increased their bargaining scope (e.g. France and Italy) or the reach of national agreements (e.g. the UK), whereas in other countries, collective actors were actively shaping decentralisation of the hospital sectors (e.g. Slovakia). In central eastern Europe, collective agreements in corporatised hospitals continued to imitate public sector bargaining, although the workforce lost its status as public servants (Hungary), and in Slovakia sectorial collective bargaining seems to have survived hospital corporatisation largely unchallenged. Government-driven reforms to publicly-provided hospital health care are just one of a number of factors shaping the evolution of collective workforce governance arrangements in hospitals, factors which also include the imperatives of sustaining universal standards in treatment, outsourcing on a basis which does not compromise quality, and actors' own preferences and strategies.

### **2.1 Trade union density, decentralised bargaining, and the insider/outsider cleavage**

Traditional approaches to the insider/outsider cleavage take it for granted that trade unions will protect their members, who almost by definition are those with relatively secure jobs, at the expense of those unable to access the labour market or at least to gain secure jobs. They might do this directly, by insisting on rules that safeguard existing job-holders at the expense of potential competitors, or indirectly, by raising the price of labour with the result that the overall employment level is lower than it would have been without the union intervention. This might occur because bargaining achieves wage costs above the market rate, or because unions gain employment protection measures that discourage employers from employing further workers. These actions might take place through either collective bargaining or through political lobbying.

However, extensive bargaining coordination and coverage has actually reduced the scope for the emergence of outsiders. To the extent that there exist mechanisms that extend the reach of an agreement to all concerned in a particular sector, and nearly all sectors are covered by collective bargaining, the range of outsiders is restricted to persons who are prevented from gaining access to any employment at all because the terms of agreements raise the cost of employment so that labour markets do not clear. Persistent levels of long-term unemployment are often seen as indicators that such processes are in operation, unemployment being the most extreme form of labour market outsider status.

Where bargaining arrangements are encompassing, in the sense of being coordinated more or less at the level of a national economy, we should have different outcomes

again. Encompassingness is a combination of two factors: degree of coordination and extent of coverage. *Ceteris paribus*, it should be expected that trade union bargainers capable of coordination would have an interest in reducing the number of unemployed, since unemployment weakens labour's general bargaining power. They should therefore try to ensure that they do not seek agreements that force up labour costs to the point where labour markets do not clear. They should similarly avoid giving employers incentives to create contract forms beyond the reach of their activities (i.e. the creation of outsider categories within the employed population). The situation is different where bargaining is coordinated but deals only with strictly limited parts of the labour market, typically a sector or skill grade of labour. Provided the sector or skill grade concerned is not vulnerable to competition from low wages and poor conditions in outside sectors, union bargainers might be expected to be content with arrangements that define their members as insiders, leaving other sectors and skill grades to bear the burden of adaptation to labour market constraints; in effect, externalising insecurity on to them.

Our empirical findings confirm that countries with limited bargaining coverage and coordination and that lack extension mechanisms are also the ones that seem to have the most labour market outsiders.

### **2.3 Public policies are crucial for promoting sector and company agreements, but at the same time, public policy has turned into a major factor of uncertainty**

Public policies have played an important role in prompting sector and company agreements, this way keeping uncertainty at bay. This has especially become evident during the crisis, where *statutory short-time work schemes* played an important role in minimising the risks of unemployment for employees, and the risks of skill devaluation for employers. Statutory short-time work schemes have typically either required the conclusion of company agreements for their implementation or incited additional negotiations at sector and company levels. It is interesting to note, furthermore, that short-time work schemes have had most beneficial impacts in countries where they combined with multi-employer bargaining which has binding effects at company level.

At the same time, however, public policies have increasingly turned into a factor of uncertainty, which makes it harder for employers and employees to calculate their odds, and develop adequate strategies, let alone coordinate them. Several developments bear evidence to this. First, public policies have changed frequently with the main aim of making labour market and other social policies, as well as public sectors in general, conform more closely to market norms. This tendency has been reinforced by the current fiscal crisis of the state and the ongoing austerity drive. Second, as Peter Gourevitch argued long ago: "Economic crisis leads to policy debate and political controversy; out of conflict policies emerge. Policies, whether innovative or traditional,

require politics: that is, the responses to the economic crisis require political support”.<sup>4</sup> As the crisis unfolds, political controversy around issues of austerity, inequality, and the virtues of market norms has started to emerge. After decades of policy and political convergence, elections are becoming sources of **political uncertainty** once again, with outcomes determining the adoption of very different policy courses<sup>5</sup>.

Third, and this holds particularly true for central eastern and southern Europe, the very legal foundations on which collective bargaining is built, is being rendered uncertain. In Slovakia and Hungary, labour codes have been changing at tremendous pace. In Italy, as noted at 2.1, changes in institutional arrangements for collective bargaining and in important aspects of labour law (governing dismissal protection, for example) have been imposed by government under coercive pressure from the troika of European and international institutions. In Spain too and also Greece, coercive pressure from the troika have led Governments to impose fundamental changes to the collective bargaining systems. In these three countries, the changes represent a rupture with rather than an evolution of pre-existing arrangements, exacerbating the uncertainty factor. In contrast, as also noted in 2.1, change in the Nordic countries and Germany has arisen endogenously, being negotiated by employers’ associations and trade unions themselves, taking the form of a further evolution in the pre-existing direction of travel and thereby mitigating the uncertainty factor.

#### **2.4 Internationalisation, austerity and the future of traded and sheltered sectors**

Our sectorial case selection was also motivated by the fact that it reflects fundamental differences in market exposure. While the metal sector has been highly exposed to the uncertainties stemming from internationalisation and relocation of production and price competitiveness, the health care sector is somewhat more sheltered, given the different nature of the “market” in which it operates. Health care is considered as a right in the public mind, and the state typically guarantees general and affordable access to healthcare. The distinction between traded or exposed and sheltered sector has long been a central tenet of industrial relation literature. The general assumption is that structural changes in the economy and continued union strength in the public sector have allowed the sheltered sector to generate wage increases out of line with productivity, with negative consequences for inflation, fiscal deficits, and external competitiveness. Much attention has focused on how different collective bargaining systems mediate the inflationary pressures stemming from the sheltered sector.

However, an assessment which only focuses on wages underestimates the pressures that public sector employees have been exposed to in recent decades, and hence the challenges for collective bargaining. These pressures have taken several forms. First, sheltered sectors are by no means immune from market pressures. Arguably, the effects

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<sup>4</sup> Peter Gourevitch, *Politics in Hard Times*, Ithaca and London: Cornell University Press. 1986, p. 19-20

<sup>5</sup> Hence the attempt to replace democracy with technocracy.

of international mobility of health care workers; international health care tourism; and the consolidation and internal restructuring involving the introduction of quasi-markets of the sector bear comparison to those that capital mobility and locational competition has exerted on the manufacturing sector. In both cases, processes of internationalisation and intensification, or introduction, of competition have led to significant cost-reduction and employment flexibility.

Second, industrial relations literature tends to overlook the *political construction of markets*. Thus, the sheltered character of the public sector cannot simply be derived from the nature of the market pressures. Rather, it has to be traced back to conscious political attempts to de-commodify labour and an important segment of business as well. In recent decades political attempts have been made to “re-commodify” the health care sector. As noted already under 2.1, many of these reforms have been influenced by the doctrine of “new public management”, which, while not necessarily advocating the whole programme of deregulation and privatisation, nevertheless aims at lowering the costs of the health care sector via increasing productivity, introducing budgetary transparency and activity costing, and real wage discipline.

Applying this more encompassing understanding of sheltered and exposed sector to our cases, we find that in some countries, collective bargaining arrangements and the interaction of public policies and collective bargaining are now better able to protect firms and workers in the exposed sectors from the effects of turbulence in the international markets in which they compete, than their public/health care sector counterparts.

The tendencies that push towards re-sheltering the formerly exposed, and exposing the formerly sheltered sector are likely to remain for some time to come. If we look at the distributional consequences of the post-crisis order, it is likely that the non-traded, public services sector will lose, whereas export-oriented industries and services ought to gain. However, given that the burdens of adaptation are also unequally distributed among countries, it is only the traded sectors in the surplus countries where substantive re-sheltering might take place. To some degree, this also holds true for central east European countries, which are small open economies. Their metal sector is highly dependent on Germany, and simultaneously generates a trade surplus, which provides the basis for potential re-sheltering measures. In contrast, for the southern periphery of the Eurozone, which has to restore competitiveness in their traded sectors, this will mean continuing pressures on wages and employment conditions, and employment security. At the same time, austerity measures are placing severe pressure on the wages, working conditions and employment security of public service workers. Employees in these countries live in the worst of all possible worlds, as their sheltered and traded sectors are becoming increasingly exposed at the same time.

## **2.5 The financial crisis has prompted a re-nationalisation rather than a Europeanisation of collective bargaining**

Underscoring the continued national embeddedness of collective bargaining institutions and practices, collective bargaining over crisis-response measures has been largely nationally-framed. Ensuring the survival of firms and restoring their competitiveness have been addressed on a national and local level, through a mix of sector and company negotiations, in which considerations of securing comparative advantage vis-à-vis similar firms in other countries have played an important role. This is evident in the ways in which collective negotiators have looked to mobilise and build on the statutory short-time work, and similar, schemes which are available in different countries. Competitive emulation has been apparent, with schemes being initiated in some central eastern European countries, which previously didn't have them; and in the case of Sweden on the joint initiative of employers and trade unions in the manufacturing sector in response to perceived competitive disadvantage with Germany and other Nordic economies. But there has, for instance, been no proposal for an EU-wide short-time working scheme nor, more modestly, for coordination of existing schemes.

Conversely, the evidence of initiatives to negotiate European-level frameworks to address the consequences of the crisis is extremely limited. At sector level, an exception is the chemicals sector where a 'soft' agreement specifying principles to be adopted so as to avoid redundancies was picked up in some national-level agreements. At company level, European-level agreements were concluded in four metalworking multinational companies framing the handling of cross-border restructuring. In a further small group of companies, local agreements in operations in different countries concluded similar measures, which is indicative of cross-border coordination.

## **2.6 Summary**

The findings draw attention to the differing forms in which uncertainty confronts workers and employers, and to variations according to economic and contractual context. The kinds of uncertainty confronting the workforce in the internationally exposed manufacturing sectors, such as metalworking, have been shown to differ from those in the public services, such as hospitals, which although traditionally regarded as sheltered are increasingly under pressure from budgetary constraints and now austerity measures, and from the introduction of market mechanisms for service provision and delivery. Contractual differences are manifest in the cleavage between insiders and outsiders in the workforce, with either group facing different forms of uncertainty although the latter shoulder the greater burden. Policy needs to be sensitive to the different forms of uncertainty, and to new forms that appear. It also needs to reinforce the capacity of trade unions and employers to undertake collective action to address different forms of uncertainty. Our findings show that the capacity for collective action to address different kinds of uncertainty is strongly shaped by institutional context. The capacity for collective action is greatest where there is comprehensive workforce coverage of multi-employer arrangements for collective bargaining, and where multi-sector and/or sector agreements establish binding frameworks for subsequent negotiations at company level. Such capacity is highlighted in the agreements

establishing and/or implementing short-time working, with financial compensation for workers, concluded in metalworking in northern continental European countries and Italy; also in the comparatively lower incidence of outsiders amongst the workforce amongst these countries. The capacity for collective action is noticeably less in a second group of countries with multi-employer bargaining arrangements, but where these do not establish frameworks which are binding at the company level. It is least in those countries with single-employer bargaining arrangements. The financial and economic crisis, by exacerbating existing and creating new problems of uncertainty, points to the need to augment the capacity for collective action. Instead, the neo-liberal agenda framing policy towards institutions which govern the labour market, such as collective bargaining, is pushing towards weakening the multi-employer arrangements on which effective capacity for collective action rests. This is most sharply apparent in the countries experiencing enforced changes as a result of intervention by European and international financial institutions. Instead, policy needs to be directed at augmenting the capacity for collective action by fostering institutional renewal and innovation.

### **3. Major Findings: territorial governments**

This analysis aimed at identifying commonalities among local case studies is important to understand trends and challenges for regional and local societies and at the same time can also shed light on some features of contemporary capitalism. Some of these similarities have common elements with what emerged by research activities of WP6a.

As we will see, the first one is the importance of politics, even if in a different way in comparison with the past: local and regional governments play an important role in this model, mobilising actors, coordinating their actions and creating collective competition goods. At the same time, government more and more shares its 'political space' with private actors that are gaining influence in steering public policies: market regulation is one of the guiding principles of public actors and in a rising number of cases the state promotes competition among people and among regions in order to have the access to public resources. Where this trend is not balanced by redistributive actions there is a risk of producing disparities among people and regions.

A second similarity is given by the growing trend towards a decentralisation – promoted by the central state - of social regulation: the local level is more and more important and local actors have a growing *room of manoeuvre*. The central state sets the rule and creates the incentives for this process.

Third, there is a growing role played by large firms, that on the one hand have a hidden influence on choices and strategies of local stakeholders and on the other participate directly to local regulation via their direct involvement in public-private partnerships.

Fourth, there is a rising direct involvement of citizens and social movements, groups, organisations, in local governance, but this involvement does not always mean an effective participation in policy making; at the same time, there is a declining

importance of the involvement of traditional organisations of representation of economic interests such as regional unions and employers associations.

The major findings of WP6b can be summarised as follows:

- The role played by the local level of regulation has been growing during recent years, and this is due to a series of different processes that are developing at national and supra-national level.
- Comparing three countries with very different institutional architectures many commonalities emerge in *how* places are facing challenges brought about by globalisation. These commonalities show the emergence of a model of local governance that can be defined as *competitive regionalism*.

In order to understand the main features of the model of competitive regionalism it is important to focus on three main pillars:

- The rhetoric that lies behind this model.
- The key actors that play a pivotal role.
- The political economy that characterises it.

At the same time, focusing on recent years it emerges how:

- the competitive regionalism model is challenged by the impact of the 2007/08 financial crisis.

Below, we look at each proposition one by one.

### **3.1. The growing importance of the territorial level of governance**

Many social scientists have devoted increasing attention to the topic of socio-economic development of regions and cities in European countries, and many of them have pointed out that some of the main features of European capitalism can be found focusing on the complex and intertwined relationship among actors and institutions at local level. Indeed, national varieties of capitalism are often the result of a complex puzzle of very different regional models: the Spanish variety gathers together the manufacturing and advanced service-based competitive economy of Catalunya with the backward Galicia specialised in rural activities and fisheries and the lagging behind region of Extremadura; the German model is composed of the highly skilled manufacturing region of Baden-Württemberg together with the slow-growth Brandenburg; the Italian economy is the result of a composite mix of local differences with very competitive regions like Lombardy and poor regions such as Calabria or Basilicata; many other examples of the composite nature of national models can be found.

A first step of research activities of WP6b was to understand why the local level of regulation is gaining importance in recent years. Summarising the result of this phase, it is possible to identify four main 'key drivers'. First, as is well known, globalisation and

increasing international competition favoured mobility of capital and firms and this promoted a notable 'activism' of regions that are trying to create the institutional conditions to attract these external resources. Second, despite this increasing mobility of capital and firms, the organisation of contemporary capitalism is more and more regionally embedded: the role of local clusters is growing in traditional and advanced sectors and locally rooted networks among firms are spreading. Third, a major role of territories is also promoted by the process of European political integration: many policy tools related to the European Social Fund and to the European Regional Policy have directly promoted a major room of manoeuvre among regions and cities for social and economic policies. Fourth, the importance of territorial governance is also promoted by the fast-growing process of political devolution that is currently going on in many EU countries, that has directly increased the importance of local-level regulation for many issues related to economic and labour market policies.

This growing importance of the territorial level of regulation goes hand in hand with a process of restructuring that is affecting many EU countries that is progressively reducing financial transfer towards local administration: actors have more competences and functions but less resources. For this reason the attention to regional and local strategies is particularly important to understand constraints and opportunities for the governance of economic uncertainty.

### **3.2. The model of competitive regionalism**

The first important result of this research is that it is possible to identify relevant similarities in local governance in the three countries analysed. This naturally does not mean that there are not differences among the case studies: local specificities continue to characterise socio-economic regulation in the cities here studied. But at the same time, it appears also that common patterns and mechanism of regulation emerge, that has a strong common bulk in terms of view of the world, of political economy, of the identity of local actors. In other words, it is possible to identify a model of regional governance that has some varieties but also strong commonalities among European cities. We decided to define this model as 'competitive regionalism', because of two main constitutive features: it is strongly focused on economic development and competitiveness and it has a *territorially-based* model of political economy. In order to understand the main features of competitive regionalism it is important to focus on three main pillars: a) the rhetoric that lies behind this model; b) the key actors that play a pivotal role; c) the political economy that characterises it.

#### **3.2.1 The rhetoric of competitive regionalism**

The first pillar of the competitive regionalism model is given by a specific 'world view' shared by local actors: it is a consequence of both a process of institutional learning and of a process of cognitive isomorphism that strongly influence the regional political economy and promote a process of homogenisation among regional governance modes.

The general background of this rhetoric is given by the increasing attention dedicated to economic competitiveness. According to local actors, globalisation is a risk but also an opportunity and they emphasise that the regional institutional setting may become an important asset that reduces the risks and triggers the opportunities of globalisation. At the same time, they claim that being more competitive and attractive is a successful path to face with problems related to the recent financial crisis.

According to this world view, there is a precise set of features that characterises the governance architecture of competitive regions. First, in order to have 'vibrant' cities and regions it is necessary to promote a high degree of inclusion in policy-making practices: decision making and policy implementation should be open to all local stakeholders. Given the attention devoted to economic issues, local actors involved in the process of policy making are representative of economic interests, such as unions, employers' associations, Chambers of Commerce; but at the same time, this view of the world promotes also the inclusion of 'new actors', traditionally not involved in these processes, such as quangos, organisations representing civil society, the voluntary sector, environmental movements, group of citizens, etc. Many policy instruments are adopted to favour these processes, such as forums, deliberative meetings, open assemblies, citizenship juries, etc. Clear examples of this trend can be found in strategic planning in Turin and Lyon and in forms of planning in Birmingham or in other UK cases such as Sheffield. These experiences seem to have enlarged the 'coverage' of public policies, including themes and topics often overlooked in the past, and to have increased the participation in the political space, including new actors and organisations. However, it should be noted that this sort of deliberative mechanism of policy making is often characterised by a 'variable geometry participation': the degree of influence is very different among local actors and participation is in many cases only 'formal' without an effective influence on important decisions. At the same time, there are also cases in which this practices may expand veto power and trigger forms of lock-in that delay decision-making and jeopardise its effectiveness.

A second key concept of this rhetoric is given by the 'logic of inter-organisational cooperation'. According to this principle, public and private policies are more effective when they are carried out by the joint action of diverse organisations that is able to promote forms of more or less stable co-operation in order to reach a specific goal. These alliances a) can be formalised, such as cases of public-private partnership in the UK or development contracts in France or not formalised as in many 'development pacts' in Italy; b) can include public-private or public-public cooperation c) can include cases of horizontal cooperation (between organisations at the same territorial level) or vertical cooperation (between different territorial levels). One of the reasons behind the growing interest towards the logic of cooperation can be found in the attempt to create a critical mass of funds in a period of public budget restructuring and on the other hand to facilitate policy coordination among various policy arenas.

A third pillar of the rhetoric of competitive regionalism is given by the enlargement of the time horizon of local policies, that goes well beyond that of local politics (related to local elections). The time span of the local plans here analysed is 15-20 years. Such time

horizon implies that these plans provide only meta-goals, that are specified later, during the process of policy implementation, through more detailed policies and projects. At the same time, these plans deal with goods that can be produced only in the long run, such as complex infrastructures, the remaking of a part of the city, the set up of local technological pole, etc. Their weakness is given by the fact that in some cases they gather together very general ideas on the future of the city, identifying win-win and very general concepts without binding local actors to a specific and well-defined strategy.

Fourth, local actors emphasise the importance of policy evaluation and accountability. This is also associated with the presence of local leaders or small group of actors who try to obtain a results-tested consensus: they give to the local society elements of evaluation of their action, expressed in terms of indicators, numbers, statistics. There is a sort of faith in the possibility to have a quantitative measurement of success/failure of local policies. For this reason, local plans include not only policy measures but also a set of indicators to evaluate their success, such as the cost of a new employee, time for the making of a specific infrastructure, evaluation of the impact of a local reform by citizens, etc. Promoting the accountability of local policy makers is surely important. However, choosing a specific set of indicators for measuring the impact of policies is not neutral. Actors are strongly influenced in their action by the indicators that will be adopted to evaluate them: if the outcome of a labour market policy is measured with the cost per new employee, local policy makers will devote more attention to the cost of policy measures rather than to the quality of the jobs created.

Fifth, there is a wide consensus also on the contents and targets of public policies. The driving idea is that local policies should produce 'smart and vibrant cities' and in order to have this local actors should promote two diverse 'core' sectors. The most important one is related innovation and knowledge society: activities related to high technology sectors and to innovation – that are often concentrated in urban areas - are the key drivers for economic growth. A second important sector is given by urban regeneration, that is not simply related to the improvement of the quality of life but to the idea of re-imagining the city, giving a 'new identity' and promoting the 'city potential' in term of attractiveness of firms and specialised human capital. Related to this there is the support to high-quality tourism related to the rebuilt identity of the city.

These ideas are always underlined by local actors interviewed but also by a set of key words that we find in all the documents on local development analysed such as: the vibrant city, knowledge economy, city potential, long term vision, benchmarking, accountability, good practices, bootstrapping events; political entrepreneurship; creative industry and creative class; attraction of external investments; highly skilled workforce; etc.

### **3.2.2 The key actors of competitive regionalism**

Despite the discourse on inclusion in policy making and the attempt to include new actors and organisations, traditional actors such as local government continue to play an

important role in competitive regionalism in three main ways. First, in all the cases studies, local government initiated a path of exit from the crisis and it played a strategic role in mobilising other local actors, in favouring their participation and in emphasising the need for a new plan for development. A second kind of activity – related to the notable budget restriction - is that local government is promoting many experiences of cooperation with the private sector as well as with other agencies/public institutions in order to reach the ‘critical mass’ that is necessary to create local public goods or projects with a significant impact on the local society. Third, local government being in charge of a broad set of activities, many of them closely related with the promotion of the area (land use and regulation, physical restructuring, the organisation of exhibitions and cultural initiatives, and so on), it is strongly involved in coordinating and in creating coherence and complementarity among the actions of the plethora of local stakeholders involved in various initiatives. In other words, local government is often the prime mover, the actor who takes the initiative in the making of collective goods, the actor that plays a coordinating role in most of local initiatives and policies.

A second important actor in the governance model of competitive regionalism is given by regional and local development agencies. In all the cases studies, regional agencies play a very important role, especially in implementing policies and in offering services to firms and to the local society. These organisations are defined as “regionally based, publicly financed institutions outside the mainstream of central and local government administration designed to promote economic development” (Halkier, Danson and Damborg, 1998<sup>6</sup>): they are characterised by a strong technical legitimacy and are created through national or regional policies, sometimes they are created for the management and implementation of European projects and in other cases they result to be the outcome of cooperation among local actors. In most cases, these agencies do not have any direct democratic legitimacy, since their members are not elected, and this obviously affects their action. In the large majority of cases, they include private and public actors, and large firms play an important role. However, there is not only one type of agency: in all the case studies we found on the one hand a plethora of small agencies that pursue very specific aims (creating sectorial competition goods) and on the other bigger agencies, with a composite membership, that are involved in a large ensemble of tasks including ‘soft’ (advice) and ‘hard’ (finance, infrastructure) goods and services. These play an important role of coordination of the local economy. As has also been emphasised in other recent research (Halkier, 2011<sup>7</sup>) the large majority of RDAs has a multiple sponsorship (at local, regional national European levels), and in

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<sup>6</sup> Halkier H. , Danson M. and Damborg, C. (1998) *Regional Development Agencies in Europe*, London: Jessica Kingsley Publishers

<sup>7</sup> Halkier H. (2011) ‘Regional Development Agencies: European Trends and Experiences’ in CC Aktan (ed.), in: *The proceedings of 1st international conference on regional development*. Firat Development Agency, Malatya, Turkey, pp. 1-10.

many cases sponsors only oversee development in general terms and leave considerable discretionary powers with regard to strategic initiatives and implantation to the agency itself. Often agencies dedicate a large part of their activities to services and consultancy to private firms, as well as training for workers but they play also a very important role on some intervention dedicated to local physical infrastructure and urban restructuring.

Large companies are a third type of actor that plays an important role in competitive regionalism. In some cases they are directly and formally involved in local governance, such as in the case of the *Grand Comptes* in Lyon, where the 25 bigger firms of the area receive special and direct assistance by *Grand Lyon*; in other cases, they are part of informal networks that contribute to steer local governance and policies (such as the FIAT in Turin). However, in all the cases there is a growing formal participation of large companies in local policy-making: they participate in public-private partnerships, they participate directly to local development agencies, they contribute directly to the making of club competition goods. Many processes contributed to this growing role of large firms in local governance: the privatisation of many local utilities and services that are now carried out by private large firms; the attention dedicated by local stakeholders to attract foreign direct investment that often means creating conditions of advantage for large external firms; the emergence of organisational models based on large networks of firms where SMEs depend on the competitiveness of a large leader firm; the fact that many of the sectors that are at the core of strategic sectors are characterised by large firms (telecommunication, pharmaceutical production, high-tech manufacturing such as aerospace, etc.).

Finally, the opening of policy making has led to an increasing role played by actors and organisations that in the past were excluded by local policy making. In particular, there is a growing involvement of organisations representing civil society such as environmental organisations, groups and local social movements, voluntary organisations, local committees, NGOs and quangos and so on. At the same time, the importance of unions in local governance is quite low, especially in France and in the UK, while they continue to play a role in the Italian case, where there is a longstanding tradition of involvement in local trilateral negotiation. It is important to underline that despite this growing involvement the role of new actors and their weight in setting the political agenda is in some case only formal and limited.

### **3.3.3 The political economy of competitive regionalism**

A third feature that characterises competitive regionalism is given by a specific political economy: while in the past the local political economy was concerned with creating direct incentives for firms, the political economy of competitive regionalism is concerned with producing territorial competitive advantages, namely local collective competition goods for the community of firms located in specific territory. Among these, it is possible to distinguish between goods that are similar to public goods, which are characterised by indivisibility and non-rivalry, and club or sectorial goods, which may

be used only by actors who are part of some networks, such as goods and services produced by an employers association for their members. These goods may be tangible (such as the creation of industrial areas, science parks, communication infrastructure, etc.) or intangible (such as the production of skills, knowledge transfer, services aimed at promoting entrepreneurship, the promotion of research and development and dissemination of their results, etc.).

These goods are aimed at firms and workers specialised in core sectors: as we have already underlined, local actors define as 'strategic' the activities related to the knowledge economy and innovation, such as information and communication technology, the creative and media industries, advanced manufacturing, etc. In some cases this focus on high added value activities leaves uncovered a range of important activities in the cities that have a notable quantitative impact – especially in term of employment – such as traditional services, activities with low added value and low skills. At the same time, the knowledge economy is characterised not only by highly specialised workers but also by low-quality-low-skills jobs. This may explain why also some successful cases of competitive regionalism model may be consistent with social disparities within the city.

Activities related to high-quality tourism are another important sector for the local political economy. The attention to this sector is also related to a traditional core activity of local government, namely the reorganisation and restructuring of urban spaces. In these cases, many efforts of local actors are aimed at promoting the 'rebirth' of some neighbourhoods to increase the quality of life and to attract tourism. In some cases, these efforts are related to the set up of mega-projects of urban architecture addressed to 'redefine the identity of the city'. In others, these attempts are related to 'big events', such as the Winter Games in Turin, the Commonwealth Games bid in Birmingham, etc.

Third, a rising theme in local policy is support for sustainability. Here it is important to note a shift from the idea of environmental sustainability and limits to growth to the green economy as a driver of growth. During the 90's the idea of 'environmental' sustainability was focused on the set up of mechanisms of regulation aimed at reducing pollution of firms, transport etc., where sustainability was seen as promoted by rules and regulation that limited the environmental impact of the public and private sector. During recent years, a growing attention in the policy discourse has been dedicated to the idea of the 'green growth', based on renewable energy, improved efficiency in the use of energy and materials, and the development of 'green jobs' (OECD, 2010)<sup>8</sup>. The green economy becomes 'an opportunity' and this explains why in all the local case studies we find a growing number of local public policy aimed to give help to this sector, mainly via direct financial incentives.

Fourth, the way in which local policies are created and implemented is based on the concept of 'competitive bidding' and of 'projects'. Territorial political economy is

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<sup>8</sup> OECD (2010) *Cities and Climate Change*, Paris: OECD

organised around projects, temporary alliances among local actors in order to pursue specific and well-targeted aims. These coalitions are unstable and may be reorganised, shifting from one project to the other. This project based political economy promotes the distribution of resources with the method of competitive tendering, creating competition among local actors to have the access to club goods and resources.

### **3.3 The impact of the 2008 crisis**

The 2008 financial crisis created important challenges for the model of competitive regionalism. First, it entailed a sharp decline in revenues —either generated by local governments or derived from state transfers; second, it created a shift in the demand for local services, with an increase in demand for local passive policies (measures addressed to maintain economic wealth and income support via insurance or transfers) related to the rise of unemployment, drawing resources away from more active policies; third, there has been a rise in expenditures, because of the slowdown in economic activity and the corresponding increases in unemployment and social welfare needs. Thus, the crisis created a recasting of local regulation promoting increasing demands in a context of declining resources.

This kind of impact affected three of the constitutive pillars of competitive regionalism. The first one is the creation of local competition goods: the reduction of public resources makes it difficult to reach the sufficient critical mass to create local competitive advantages. Second, less money means also that it is difficult to promote physical and urban regeneration. Third, the green economy, that strongly depends on public incentives, is hindered by the reduction of public resources.

Even if it is too early to assess how local stakeholders are reacting to these problematic points, it is possible to identify some possible paths. The causes of the crisis are perceived as – and are - exogenous from the local context, related to the international regulation of financial markets, and for this reason the ‘essence’ of competitive regionalism is not questioned by local actors. On the contrary, there is a widespread view that local stakeholders should adopt a “let’s do more” strategy: in time of crisis it is even more important to create the conditions for being competitive cities. In a certain sense, the crisis is reinforcing some of the above mentioned structural features of competitive regionalism. All this confirms – and reinforces - three important constitutive features of competitive regionalism: the importance of an agenda based on economic growth and competitiveness; the notable attention dedicated to co-operation, consensual approaches, participatory decision making, experiments of deliberative planning (‘let’s react to the crisis together’); the extension of the role played by private mechanisms of regulation via public-private partnerships in order to create a critical mass of funds and energy to react to the crisis.

### **3.4 Summary**

The study of local governance of uncertainty has shown that it is possible to identify similarities between the ways in which cities are responding to the financial crisis and to

the challenges of globalisation. In particular, we have underlined that in recent years many cities of the three countries analysed dedicated a lot of attention to the issue of local competitiveness and to the territorial dimension of economic development, with the development of a local political economy focused mainly on the promotion of key sectors related to the idea of “the knowledge society”. We resumed the main features of this model in the concept of competitive regionalism, a governance mode that is characterized by a specific rhetoric and by the presence of common key actors. Although it is still early to assess the actual impact of the financial crisis of 2008, there is no doubt that the crisis is having a major impact on this model, first weakening the possibility of implementing 'proactive' policies and favoring the set-up of passive policies, but at the same time reinforcing some of the pillars of the model of competitive regionalism. In this context, private actors - such as large scale firms - or quangos are gaining increasing importance and the mechanism of public-private partnership becomes one of the dominant tools of local governance. The risks of this path of development are partly related to the difficulties of local actors to promote an integrated development of cities and not just a redistribution of the uncertainty that favors some sectors/workers/ areas of the city and the lack of support of national policies that on the one hand increase the competencies for local actors and on the other decrease financial support. For these reasons, it is important to develop local policies that focus not only on 'smart' sectors but that are able to promote an integrated and encompassing model of local development and at the same time there is a growing need of national and regional policies not only able to support local collective action in 'competitive cities' but also to foster growth and cohesion among vulnerable cities.

#### **4. Policy implications: Collective bargaining**

There are policy implications from our research for employers and trade unions (the social partners) and for public policy.

##### **1. Agenda for the social partners.**

The major trade-off has been employment and employability against flexibility and cost-competitiveness. The sustainability of this trade-off is however questionable, because the macro-economic conditions have changed so much.

- In manufacturing sectors such as metalworking, ever-extending internationalisation of markets and of production is rendering the local, but also national (sectorial), accommodations concluded between employers and trade unions (and/or works councils) less and less resilient, reliant on specific contingencies which can change rapidly. There is a need for the development of structures, dialogue and possibilities for concerted action between employers and workforce representatives at transnational, European and wider global, level which would elaborate international corporate or sectorial frameworks to anticipate change and address the

employment/employability against flexibility and cost-reduction trade-offs broached at national and local levels.

- In the public services, although the emphasis on this trade-off is more recent, job opportunities are now shrinking in the age of permanent austerity. There is a limit to how far security, through maintaining employment or enhancing employability, can be traded against ever more flexibility and remorseless cost-reduction measures. The political constraint inherent in the 'non-market' nature of the demand for health, and other public, services potentially limits a process of intensifying flexibility and cost concessions on the part of the workforce, because of the implications for service availability and quality. Hence political mobilisation and intervention offers a way for trade unions and the workforces they represent to alter the terms of the employment/employability against flexibility and cost trade-off.

The governance advantages of multi-employer as compared to single-employer bargaining arrangements, especially where the former are comprehensive in coverage and have determining effects on what happens at local level, are underlined by our findings in both the manufacturing (metalworking) and public service (hospitals) sectors. These include capacity to steer short- and medium-term adjustments to changed conditions in ways which offer protections for the workforce whilst also benefiting employers; reducing differentiation between insiders and outsiders; and providing a basis for amplifying the take-up and impact of specific public policies. This points to the need for public policies (see below) which are conducive to organisation of the labour market by trade unions and employers' organisations, and which support their capacity to conclude agreements which are comprehensive in their coverage of firms and workforces in a sector – through extension mechanisms, for example.

## 2. Agenda for public policy

One of the major findings is that public policies are crucial for supporting collective bargaining and substantial bargaining outcomes that mitigate major labour market uncertainties. If the latter is our aim, as it should be, a lot more can be done.

- There is a need for assessing public policy effects on labour market uncertainties. The current plans for European economic governance focus one-sidedly on the macroeconomic and competitiveness effects of public policies, and show little concern with the social effects. Mandatory impact studies that are concerned with the consequences of European governance mechanisms and their translation into national policies on the quality and quantity of jobs, salaries and wages, income distribution, basic social systems and on labour market insiders and outsiders will raise policy makers' awareness for social effects of their policies, and support policy makers and social partners in their quest for mitigating labour market uncertainties.
- Collective bargaining mainstreaming. As an analogue to the quite successful policy tool of gender mainstreaming, we suggest that the implications of any newly planned economic and social policies and legislation for collective bargaining

systems and social partners be assessed. This tool aims at making collective bargaining and social partners an integral dimension of the design, implementation and monitoring of public policy, with the ultimate goal of improving societies' capacity for collective action. This would involve measures to stabilise and strengthen existing collective bargaining systems, and, wherever this is deemed possible, move towards a multi-employer bargaining system which is comprehensive in workforce coverage.

- Establishing European-level governance capacities in the realm of collective bargaining through three kinds of initiative: a) reviving the Commission's 2005 proposal to establish a legal framework to underpin transnational agreements concluded within multinational companies and on a cross-border basis at sector level, thereby facilitating the elaboration of European-level frameworks which can govern the employment/employability - flexibility/cost reduction trade-off which characterises parallel local and national negotiations; b) cross-border co-ordination of public policy instruments with a bearing on collective bargaining agenda and outcomes, such as short-time work schemes and requirements to minimise and reach agreement over the impact of collective redundancies; c) conferring a formal role to European employer and trade union organisations in the wage coordination processes initiated at the March 2011 Eurozone summit.
- A new definition of a sustainable public sector. There is a need to recognise that, the age of austerity and financial costs of bank bailouts notwithstanding, European citizens have a right to quality and affordable public services such as healthcare and education, independently of whether they live in Europe's periphery or core. There is furthermore a need to acknowledge that markets and competition can only play a marginal role in providing quality and affordable public services. The EU and its member states must therefore commit to a certain degree of de-commodification of public service employees and services. In particular, policies must be enacted that prevent public service brain-drain from poorer to richer countries, that provide the necessary qualifications for public service employees, and that guarantee decent wages and working conditions.

## **5. Policy implications: Territorial government**

The analysis of territorial governance of uncertainty suggests policy implications for the macro and micro level. Macro level implications are related to the national and the European level of policy making. By this point of view, the comparative analysis of local case studies suggests three main points:

- First, the case studies analysed show that in order to confront the crisis, European local systems need an a coherent and effective set of national policies for regional and urban development. The collective goods that cities need cannot be produced only 'endogenously', by the action of local stakeholders, as in the past decades: nowadays these goods have more and more a regional scale that need a supra-local

coordination among places. Their creation requires a massive amount of funds and capacities; they are often related to infrastructures that need national policy competencies, etc. Thus, a localistic approach to regional development based on the idea that shifting policy competencies toward the local level is sufficient to promote local socio-economic development is wrong. Thus, a policy strategy that relies mainly on the process of devolution of competencies without setting up an appropriate system of multi-level governance is doomed to create serious problems for both wealthy and poor regions and cities.

- Second, national governments need to invest more resources in the promotion of local development and in the so-called 'area-based policies'. In all three countries that we studied in this part of the research there was a twofold process with a large devolution of competencies that went hand in hand with a reduction of funds and resources for local administration. This dual trend generates a sort of trade off, with local actors who do not have sufficient human and financial resources to accomplish the many new tasks they are in charge of. This has been also exacerbated by the logic of austerity that promoted a further reduction of funds transfer toward local level administration. But devolving competencies without giving appropriate resources can create relevant lock-in, especially in the field of socio-economic development: blocking employees turn-over, promoting layoffs, early retirements, reduction or stagnation of wages, create relevant constraints to the effectiveness of local public administration and for its ability to carry out the rising number of tasks. We underlined that local actors are trying to face with this problem creating public-private partnership and mobilising private resources to create collective goods, but this is a difficult strategy to pursue in time of crisis.
- Third, similarly to what has been emphasised by the reform of EU cohesion policy, it is important to create policies based on the idea of ex-ante and ex-post conditionality. The rationale for strengthening ex ante conditionality for national and EU policies is to ensure that the institutional conditions – for example in term of administrative capacity, of economic organisation of local firms, etc. - necessary for their effective support are in place. Ex post conditionality is related to the evaluation of results obtained by cities: if local actors are able to reach specific goals defined in advance they should be able to apply for additional funds. This mechanism, similar to the performance reserve set up by EU regional policies, could promote a positive engagement and a mobilisation of local actors aimed at setting up effective policies.

Policy implications for the micro level are related to the action of local public and private actors. In this case, the results of the research suggest adopting instruments that favour a shift from a common rhetoric based on shared keywords to the set up effective plans and strategy. In order to follow this path, it is important that local stakeholders give attention to:

- Establishing an in-depth analysis of the main features of the city, in term of strengths, weaknesses, risks, and constraints. This can help to identify viable and effective strategies to face with the problems created by the crisis and at the same

time to avoid the risks related to an inappropriate use of the ‘method of good practices’: each place has its own characteristics and specificities and requires ad hoc policy solutions; a strategy that has been successful in some places does not necessarily produce the same kind of outcomes in others. This can also help to tune the local political economy towards the effective needs of the city and not only to what is considered a core sector by the rhetoric of competitive regionalism.

- Setting up an effective process of monitoring and evaluation. For this reason it is important to set up an ‘effective metrics of socio-economic development’ that can steer the phase of monitoring and evaluation of local policies, based on qualitative and quantitative methods and on the identification of precise targets and policy goals that can be ‘measured’ with an accurate system of policy indicators. Naturally, the focus on indicators has some risks: there are many studies that show their limits, and in particular that a) it is difficult to isolate the impact of a policies from many other intervening variables and b) there are many important effects of local policies that are difficult to measure. However, indicators may play an important role because ‘once their limits are taken into account, outcome indicators can act as a powerful tool to focus public debate on objectives and to motivate policy-makers’ (Barca 2009<sup>9</sup>). At the same time, this can help to monitor and eventually readjust aims and tools of local policy making. Thus, the focus on the evaluation of the expected results and on the impact of local policies may help to avoid that local actors remain trapped in an inconclusive and undefined rhetoric of local development.
- The promotion of negotiated policies. In order to favour policy innovation it is important to support social negotiation practices that include a wide range of local actors; this help to a) create a redundancy of views and positions that can introduce new elements and idea in local planning and b) identify the ‘hidden’ need of the local society (Hirschmann, 1958<sup>10</sup>). Naturally, mechanisms that reduce the role of veto power and of long and inconclusive consultations among actors are needed. In other words, it is necessary to promote effective processes of negotiation, where new actors and organisations may play a real and constructive role, avoiding a ritualistic involvement aimed only at producing short-term consensus. The effective involvement of a wide group of actors can be very useful not only in the stage of policy planning but also during policy implementation contributing to an ongoing readjustment of policies. For these reasons an effective negotiation can help to reduce the socio-economic uncertainty transform a mere rhetoric to innovative and effective policies.

## 6. Conclusions

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<sup>9</sup> Barca F. (2009) *An Agenda for a Reformed Cohesion Policy. A Place-Based Approach to Meeting European Union Challenges and Expectations*, Brussels, Independent Report.

<sup>10</sup> Hirschman A.O. (1958) *The Strategy of Economic Development*. New Haven, Conn.: Yale University Press

Research carried out in the framework of WP6 comprised investigations of two key aspects of the infra-national governance of uncertainty and sustainability: the reorientation of collective bargaining to address questions of competitiveness, flexibility, employment security and environment and the emerging of models of local governance of labour market uncertainty. The analysis confirms that national institutions and regulatory architectures are important but also that there are relevant infra-national differences: looking at the ways in which actors cope with uncertainty, it is possible to find more similarities among the same sector – or the same type of city – in different countries than among different sectors – or types of cities – in the same country. At the same time, it emerges clearly how collective bargaining and territorial governance are key locations for achieving collective action at levels other than the nation state. For these reasons, research strategies or policy interventions that focus exclusively on the national level of regulation are doomed to failure. The research underlines the resilience of collective bargaining, despite some weakening, and that territorial labour market governance, although becoming more prominent, shares some of the same problems as collective bargaining. For both, there is a strong need to augment the capacity of actors to effectively grapple with new uncertainties, and already existing ones which have been exacerbated under the crisis. European and national policies can contribute to this, so long as they take adequate account of the sectorial and territorial differences which our infra-national perspective highlights.

Building on the specific findings discussed in this report, we now seek to draw general conclusions on the capacities and challenges of infra-national governance mechanisms to cope with uncertainty. Collective bargaining and TLMG represent two distinct poles of infra-national governance. Collective bargaining represents a “traditional” mode of governance, which has historically emerged as a response to the challenges of industrialisation, where collective actors play a major role, and which is closely linked to the era of nation states. In contrast, TLMG represent a “new” form of governance, closely related with the challenges of post-industrial economies, growing economic interdependence across borders and the weakening of the nation state. TLMG has explicitly been fostered by the European Union and its diverse programmes such as the European Structural Fund. Its pluralistic form of representation resonates well with the overall neoliberal orientation of the EU, and it has helped to reinforce the multi-level governance structures which are at the core of the EU.<sup>11</sup>

In light of these major differences, it is interesting to note that both forms of governance have experienced substantial challenges, heightened by the effects of the crisis, to their capacities to provide working people and citizens with more safety and security over time. Specifically, we found that:

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<sup>11</sup> The point that there is a link between (neo)liberal form of governance and pluralism has been forcefully made by Elmer Schattschneider in his “Semi-Sovereign People”: According to Schattschneider, pressure groups fail to represent lower income groups. As he puts it: “The flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent.” (Elmer E. Schattschneider, *The Semi-Sovereign People: A Realist's View of Democracy in America*, (Hinsdayle: Drydon Press 1975).

1. There is a growing trends towards decentralisation of social regulation. For CB this is reflected in continued decentralisation, as the company level becomes more important and the agenda as well as scope of company negotiations widens. For TLM, the local level becomes more and more important, with growing room for manoeuvre by local actors.
2. Collective action and representation has been reshaped by the growing role played by large firms. For CB, large firms pushed hardest for decentralisation and have elaborated company level negotiations most extensively. For TLM, large firms exercise important formal or informal influence over local policy choices, and are increasingly directly involved through public-private partnerships.
3. In both spheres there are potentially corrosive effects on capacity for collective action at more encompassing levels, such as the sector or national economy, of competition-oriented collective bargaining, aimed at securing competitive advantage at company level, and competitive regionalism, aimed at securing competitive advantage for particular localities.
4. This has implications for the capacity of CB and TLM practices to ameliorate the cleavage between insiders and outsiders. For CB the extent of bargaining coverage and coordination tend to reduce the number of labour market outsiders, while in TLM the attention dedicated to weak sectors and workers can influence the degree of exclusion/inclusion.
5. Both forms of infra-structural governance rely on supportive state actors. For CB provision of legal extension mechanisms ensuring complete coverage of collective agreements, or the state supported short-time working schemes invoked by employers and trade unions in several countries in the sharp downturn early in the crisis. For TLM, leading role of local government in setting strategic directions and coordinating partners; also the role of local and regional development agencies. In this context it is unfortunate that public policies have become less predictable and supportive over time. Policy uncertainty – for instance frequent changes of regulatory frameworks - has added to the challenges of infra-national governance.
6. For both CB and TLM the crisis has had the effect of exacerbating existing uncertainties and creating new ones. At the same time, they are confronted with reduced resources (TLM) and there is a tendency for defensive responses to crowd out offensive ones. Under CB, this is reflected in the focus on measures to maintain employment; also by further decentralisation which risks turning sector agreements into solely procedural frameworks, no longer specifying core substantive standards. For TLM, it refers to the increased demand for passive local services (i.e. local welfare payments and services). In addition, the embrace of neo-liberal policies means less, not more, supportive measures from the state – at the very point when more supportive measures are needed – and at worst, intervention from European and international institutions which weakens the capacity for collective action.

## **Appendix**

### **1. WP6 Participants**

#### **Team members**

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Tibor Meszmann, Central European University, Budapest, Hungary

Giorgio Morganti, University of Teramo, Italy

Elena Persano, University of Teramo, Italy

Marcello Pedaci, University of Teramo, Italy

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Maarten Keune, Amsterdam University, AIAS, the Netherlands

Catherine Spieser, Centre d'Études d'Emplois, Paris, France

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#### **Consultants**

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Laszlo Neuman, Institute for Social Policy and Labor, Budapest, Hungary

Thorsten Schulten, Hans Böckler Foundation, Düsseldorf, Germany

## **2. WP Meetings and conference participation**

### **Meetings**

Coventry, University of Warwick, September 15-16, 2009

Florence, European University Institute, December 11, 2009

Amsterdam University, AIAS, May 14, 2010

Paris, CES, Université Paris I (Sorbonne) Sept. 22, 2010

Budapest, Central European University, May 5-6, 2011

Barcelona, Universidad Autonoma, September 6, 2011

### **Conference participation**

International Industrial Relations Association (IIRA) European Conference 28 June-1 July 2010 - University of Copenhagen

23rd Annual Meeting of the Society for the Advancement of Socio-Economics held at the Autonomous University of Madrid, June 23rd – 25th, 2011

Workshop organized at the Universitat Autònoma de Barcelona, 25th May 2011,

Invited lecture - Department of Political Science of the George Washington University, February 1<sup>st</sup> and meeting at the German Marshall Fund of the United States, February 3<sup>rd</sup> 2012

24<sup>th</sup> Annual Meeting of the Society for the Advancement of Socio-economics at MIT-Cambridge, June 28-30, 2012.

## **3. Publications, papers and Reports**

### **Publications**

Burroni L. (2012) *The boundaries between economy and society in European Cities*, in Burroni L., Keune M, Meardi G., *Economy and Society in Europe. A Relationship in Crisis*. Cheltenham: Edward Elgar

Burroni L. Keune M. (2012) *Les faiblesses de la flexicurité et la crise financière*, in *Les Politiques Sociales*, n. 3/4

Burroni L. Keune M. (2011) *Flexicurity: a conceptual critique*, in *European Journal of Industrial Relations* vol. 17 no. 1 pp. 75-91

## **Academic papers**

*Big players, different rules? Multinationals and collective bargaining in Europe*

Paul Marginson and Guglielmo Meardi (University of Warwick, UK)

*The governance of labour-market exclusion: the role of collective bargaining*

Colin Crouch (University of Warwick, UK)

*Competitive Regionalism, globalization and the financial crisis*

Luigi Burroni (University of Teramo, Italy)

*The boundaries between economy and society in European cities*

Luigi Burroni (University of Teramo, Italy)

*Le politiche pubbliche locali e la governance dell'incertezza economica. Alcuni studi di caso in Italia e Regno Unito*

Giorgio Morganti (University of Teramo)

*The question of interest representation in the UK local governing arrangements and the problem of cost-benefits distribution of the regeneration initiatives*

Marcello Pedaci (University of Teramo, Italy)

*Acting on the edge of public sector: hospital corporatization and collective bargaining in Hungary and Slovakia*

Marta Kahancová (CELSI Bratislava, Slovakia) and Imre Gergely Szabó (Central European University, Hungary)

*Collective bargaining and the changing governance of hospitals: A comparison between United Kingdom, Italy and France*

Manuela Galetto (University of Warwick, UK), Paul Marginson (University of Warwick, UK), Catherine Spieser (Centre d'études de l'emploi, Paris, France)

*Collective bargaining, decentralisation and crisis management in the German metalworking industries*

Reinhard Bispinck and Heiner Dribbusch (Wirtschafts und Sozialwissenschaftliches Institut (WSI), Germany)

*The regional governance of economic uncertainty*

Luigi Burroni, Angela Lobascio and Marcello Pedaci (University of Teramo, Italy)

*Collective bargaining in a time of crisis*

Vera Glassner (ETUI), Maarten Keune (University of Amsterdam) and Paul Marginson (University of Warwick)

## **Policy Briefs**

*The governance of labour market exclusion: the role of collective bargaining*

Colin Crouch (University of Warwick, UK)

*Competitive Regionalism in time of crisis*

Luigi Burroni (University of Teramo)

*Big players, different rules? Multinationals and collective bargaining in Europe*

Paul Marginson and Guglielmo Meardi (University of Warwick, UK)

*Governance reforms in hospital healthcare and changes in collective bargaining*

Paul Marginson, Manuela Galetto (both University of Warwick, UK), Marta Kahancová (CELSI Bratislava), Catherine Spieser (Centre d'études de l'emploi, Paris), Imre Szabó (Central European University, Hungary)

*Territorial Governance of Economic Uncertainty*

Luigi Burroni (University of Teramo, Italy)

*Developments in collective bargaining in a time of crisis*

Vera Glassner (ETUI), Maarten Keune (University of Amsterdam), Paul Marginson (University of Warwick)

## **Case study reports**

"The hospital sector in France. State governance and collective bargaining in search of negotiated flexibility"

Catherine Spieser (Centre d'études de l'emploi, Paris)

"La governance dell'incertezza: Report sul caso di studio di Torino"

Elena Persano (University of Teramo, Italy)

"Governance dell'incertezza e politiche per lo sviluppo locale in Francia. Il caso-studio di Lione"

Angela Lobascio (University of Teramo, Italy)

"La governance dell'incertezza: Report sul caso di studio di Birmingham"

Elena Persano (University of Teramo, Italy)

"Collective bargaining, decentralisation and crisis management in the German metalworking industries since 1990"

Reinhard Bispinck and Heiner Dribbusch (Wirtschafts und Sozialwissenschaftliches Institut (WSI), Germany)

“Governing the metal sector in Slovakia: Socio-economic and policy context, industrial relations and the challenge of flexibility and security”

Barbora Brngálová and Marta Kahancová (CELSI Bratislava)

“Governing the healthcare sector in Slovakia: Socio-economic and policy context, industrial relations and the challenge of flexibility and security”

Marta Kahancová (CELSI Bratislava)

“Collective bargaining in the Hungarian hospital sector: Main actors and institutions, procedural and substantive agenda”

Imre Szabo (CEU Budapest)

“Collective bargaining as a mode of governance in the UK metalworking (automotive) sector”

Paul Marginson and Manuela Galetto (University of Warwick)

“Industrial relations and changing governance in the hospitals sector in the United Kingdom in the 2000s”

Manuela Galetto and Paul Marginson (University of Warwick)

“Industrial relations and changing governance in the metalworking sector in Italy in the 2000s”

Manuela Galetto (University of Warwick)

“Collective bargaining and the changing governance of hospitals in Italy”

Manuela Galetto (University of Warwick)