

7

Social Democracy and Trade Unions

Dimitris Tsarouhas

Introduction

Are trade unions still relevant for social democracy? Not so long ago such a question would have sounded very odd indeed. Social democracy was the natural habitat of the trade union movement, the political space where union aspirations for better living conditions and the quest for solidarity found a sympathetic hearing and, more often than not, materialized in progressive legislation. The relationship was reciprocal, too: Social Democratic Parties enjoyed the benefits of close union ties in the electoral arena, directly through union political support and indirectly through funding campaigns, sponsoring and political propaganda. Perhaps more importantly, social democratic activists and politicians cultivated strong union ties to get a foothold in workplaces and thus to experience firsthand the fears and needs of working people. Social democracy and trade unions cultivated intimate ties at many different levels.

Not any more. To be sure, some bonds between Social Democratic Parties and trade unions remain. However, even in Scandinavia, where large and encompassing trade union confederations maintain strong links with Social Democratic Parties through personnel, campaigning and organizational structure, support for Social Democratic Parties is in free fall and future prospects look very bleak indeed.¹ In some parts of Europe the unions have turned their back on mainstream social democracy and increasingly support variants of left-wing populist parties (such as Die Linke in Germany). More often, the bonds between the two sides have been severed without any kind of 'replacement'. The politics of the new era, it seems, has made the party–union link something of an aberration, a historical relic underpinned by the interest-based congruent

action that brought politicians and union people together, in support of workers' rights and collective emancipation, in the now-forgotten golden age of welfare capitalism.

But does the party–union story need to end this way? In fact, is there a reason for it to end at all? In what follows I will argue that, far from being obsolete, strong organizational and political links with trade unions ought to be at the heart of social democracy's attempt to resuscitate its political fortunes. I will argue that the collective nature of the trade union movement and the bonds of solidarity it can cultivate among the working people, social democracy's natural support base, offer a promising way back for the future of social democracy: that of a mass movement rather than just an electoral machine; that of a conscious political object, driven by the aspirations of real people rather than by the 24-hour media culture and instant opinion polls tracking every utterance of the 'leader'. The unions can be vital partners in the big challenge to social democracy of our time: to rebuild a broad coalition of progressives in support of traditional social democratic objectives, as well as against the new anxieties of late modernity, fuelled as they are by individualism, rampant consumerism and the loss of the 'we' factor crucial in collective action.

The chapter begins with some necessary definitions surrounding the nature of social democracy, its relationship to trade unions and the achievements of the labour movement in the twentieth century. The next section draws on the most recent attempt to redefine social democracy for the new era: the Third Way. Focusing on the UK paradigm, it asserts that the vague communitarianism of the Blair–Giddens mantra could have done better than dismiss the unions as relics of the past. Yet in the next section I argue that a revitalization of the link between social democrats and trade unionists cannot simply be an attempt to repeat the past. Too much has changed in recent times, from cultural mutations to labour market upheaval, for it to make sense merely to resuscitate a partnership of old. To that end, the conclusion seeks to propose an optimistic way forward. Concretely, it points to the need for a new progressive majority, which would incorporate trade unions, through a genuinely broad appeal, into a progressive social pact encompassing the anxieties as well as the aspirations of a redefined, rejuvenated cross-class coalition. After all, as the conclusion section shows, there is every reason to work towards that goal. Social democracy remains as timely as ever, with economic insecurity and uncertainty about the future now touching deeply into its middle-class heartlands.

Social democracy and the trade unions: the struggle for democracy and beyond

In its long history, social democracy has put to use different policy instruments to achieve its ultimate aims of ameliorating the unjust effects of capitalism on working people and of creating conditions that will lead to their liberation, at least to an extent, from capitalism's commodifying and dehumanizing effects. Three goals were concretely set: first, to democratize capitalist society through the ballot box; second, to regulate the labour market in the interests of its labourers; and, third, to socialize the costs of labour's reproduction, creating what later became the welfare state (Sassoon, 2006, 19). The working class, in its institutionalized expression through the trade unions, was a default ally in the struggle to achieve these aims.

Even before its electoral and political apogee in the post-1945 period, social democracy was a broad church. The battle for universal suffrage was conducted in close cooperation with the liberal segments of the political spectrum. Often enough, the welfare state was first put in place by religiously minded conservatives fearful of social unrest. Indeed, looking at the different goals of social democracy in isolation, it is hard to escape the conclusion that its agenda has, more often than not, been shared by other parties too (Baldwin, 1990). The phenomenon has not gone away in the contemporary era, when liberals and conservatives alike praise, for instance, universal healthcare – which the social democrats have put in place (the NHS in Britain, for example).

Whilst social democrats struggled to distinguish themselves from other political forces in the interwar years, the Great Depression offered a viable platform for reform based on the principle of state intervention. Proof was now offered aplenty that the unregulated market does not work, and the lessons learned were put in practice after 1945. The result was the golden age of welfare capitalism. The political dominance of social democracy translated into policies regulating the labour market in favour of a viable work–life balance and the development of comprehensive welfare arrangements that ameliorated the effects of the market to an important degree.

This 'social democratic image of society' (Castles, 1976) was made possible through the trade unions. As Moschonas argues, trade unions fulfilled two vital functions: first, they helped to institutionalize a compromise with capital, trading moderate wage increases and a rare use of the strike weapon for stable rates of productivity growth and for predictability in the labour market. On those occasions where their

presence was of a comprehensive, encompassing sort, their influence on the labour market rose all the more. Second, and more significantly for the purposes of this chapter, the unions worked in close cooperation with the social democratic party in order to get it into office, so as to secure a favourable stance with the government and to benefit directly from the compromise achieved with capital (Moschonas, 2002, 67).

The partnership between social democrats and trade unions was thus based not only on their common historical roots; it also resulted from a win-win game in conditions of Keynesian economic management, regulated capital flows and stable employment. It also allowed social democrats to combine the goals of efficiency in economic management with a high degree of social justice. Social democrats were the 'people's party' of the working class, through their close union ties and policy programmes, whilst also defending the general interest in a way that proved appealing to the expanding middle class too (Moschonas, 2002, 68). 'Respectable' mass party and the authentic voice of the working class: social democrats never had it that good. The international post-1945 *Zeitgeist* offered social democracy a great opportunity to put its mark on socio-economic and political events. More often than not (and emphatically in Scandinavia) it succeeded in doing so.

Reflecting the trend away from industrialized capitalism and having to rely ever more on the middle classes and on public sector employees to maintain its position, social democracy diluted its earlier, more radical politics aims. The 1959 Bad Godesberg programme of the German social democrats (SPD) is a symbol of that process, as social democracy became increasingly preoccupied with the preservation of status quo achievements. Soon, however, capitalism would prove the accuracy of Marx's insight regarding its volatile, dynamic and ever-changing nature. As Sassoon succinctly put it,

Social democrats [...] remained wedded to a nationalist conception of politics and reinforced it constantly, ring-fencing their achievements [...] within the territorial boundaries of the state, while capitalism set out to stride the globe. (Sassoon, 2006, 32)

What is more, the rise of the 'affluent society' (Galbraith, 1959) meant that intimate ties of communal living that had sustained generations of working-class people and trade unionists started giving rise to individualism and a newfound sense of privacy that was, until then, restricted to the middle and upper classes (see Favretto, 2006, 166).

By the 1970s social democracy was in crisis. Economic crisis, lower rates of growth, rising unemployment and the collapse of Bretton

Woods shook the foundations of the post-war compromise, challenged its effectiveness to deliver efficiency with justice and forced social democrats to a defensive stance they have yet to recover from. Social democrats were confronted with the realization that national Keynesianism had reached its limits, and Mitterrand's U-turn in 1983 in France was a catalyst. Its electoral appeal waning and its distinguished character questioned, social democracy proved unable to resist the forces of neoliberal economics unleashed first in the United States and then progressively throughout the world. Despite the fact that it gained new electoral footholds in newly democratized states in southern Europe and its power in north-western Europe remained on the whole intact, social democracy was suffering from a *structural* problem of self-identification in a rapidly changing world.

As deregulation, privatization and welfare cuts spread, the trade unions became a favourite target of the new consensus-makers, who described them as 'anachronistic', 'wasteful' and 'spendthrift'. New dividing lines among working people emerged, as a division between the competition-exposed, tradable sector of the economy (and its unions) and the allegedly 'sheltered' and inflation-driven domestic sector was identified. More generally, unions were significantly weakened as globalization offered new exit opportunities to capital and diminished its returns regarding centralized collective bargaining (Swank, 2002, 27). In Europe, the project of European integration took the form of market integration and accommodated the demands of supply-side macroeconomic policies that favoured capital's volatility. The era of globalization also witnessed massive population movements resulting in flows of immigration towards the western world, which often transformed the social fabric and further contributed to a frantic search for identity among the working people.

The best articulated response to those changes was the Third Way project, which originated in the US and the Clinton-led Democrat Party but found its most elaborate expression in the 'New' Labour Party in the UK. Its recipe for social democratic renewal soon found imitators throughout Europe and beyond. In its 1990s heyday, the Third Way appeared as the *only* available strategy for progressives in coping with our complex reality.

The Third Way and its vision of social democracy

It is slightly unfair to add to the barrage of criticism that the Third Way (Blair, 1998; Giddens, 1994, 1998) has received over the years (but see Hall, 1998). This is not only because this particular approach to social

democracy is by now pretty much obsolete, or because it assumed different characteristics in different countries (save for an inbuilt reluctance to assess critically the wisdom of following market principles in all spheres of life), which led to a loose usage of the term (Faux, 1999).² It is mostly because the Third Way rarely addressed the question of the relationship between the trade union movement and social democracy, save for a few isolated references. In those, the link to the unions was portrayed as old-fashioned, a relic of the past that hardly fit the expectations of the electorate from new social democracy (Ludlam, 2005, 104).

Still, the Third Way was for long the reformist left's main ideological and political mantra. Its prescriptions and analysis of contemporary society fundamentally affected the ability of social democracy to formulate its vision of the good society. In that crucial sense, its overall approach had a lot to do with how social democrats should relate to this crucial link with their political and ideological roots.

One of the most interesting aspects of the Third Way approach, as espoused by Tony Giddens and implemented in office by Tony Blair, was its embrace of community-oriented policies and programmes to 'reclaim' the right-wing agenda on issues such as crime or policing. As Giddens put it, 'the traditional left's indifference to issues such as crime and family breakdown damaged its credibility in other areas where its policies were strong' (Giddens, 2000, 50). The tough approach to 'crime and the causes of crime', as well as the attempt to build a new social contract, consisting of 'no rights without responsibilities', were concerned with enabling Third Way sympathizers to appear connected to everyday people and to address the issues they cared about. The 'old left's' elitism was out and community politics was in (though not all: see Giddens, 2000, 63–65). Moreover, the social nature of human beings was promoted by 'new' social democracy as evidence of its anti-Thatcherite orientation and of its recognition of the important community bonds that hold society together. Full community participation led not only to the avoidance of social ills like crime and drug abuse; it also enabled individuals to maximize their potential and participate fully in social activities. If globalization had rendered equality a utopia, community-based policies founded on fairness could perhaps lead to acceptable forms of accommodation with inequality.

The Third Way project, in the UK and elsewhere, proved unable to connect with voters despite its tough rhetoric and occasional policies (something it may come to regret in the face of a rising pan-European far-right movement). Its community-oriented recipes neglected the

salience of the union movement in making such a community real and vibrant. That is to say, 'new' social democracy appeared to believe that disengagement with the roots of the labour movement was a hallmark of its modernist credentials, and that this would make Social Democratic Parties electable in the long run. It was a mistake committed earlier by US Democrats, who decided to distance themselves from traditional constituencies in order to champion a more appealing, 'centrist' agenda. Over time, this led to a widening gap between party preferences and the everyday politics of working people. Ordinary citizens felt disempowered and the Democrats lost their natural support base (Skocpol and Greenberg, 1997).

This was not a coincidence or a misunderstanding of Third Way intentions. As Eric Shaw has argued, 'the New Labour concept of community is quite distinct from that familiar to traditional social democrats for whom it was inextricably bound with ideas of social solidarity and equality' (Shaw, 2005, 202–203). The community-based understanding of the Third Way was permeated by the logic of rights alongside obligations, of taking something back after offering something in return. A *quid pro quo* in welfare was required, along with an agenda for reform that became increasingly reliant on the private sector to deliver public services. This approach affected the relationship with the unions at two levels: first, in terms of policy content through public–private partnerships, labour law and so on.³ Second, and more centrally to this contribution, this approach produced an indifferent and often hostile attitude to the union movement and its alleged 'complacency' to the major challenges that globalization *inevitably* introduced. The unions were not part of the Third Way's brave new world and were useful only insofar as electoral support was concerned regarding financing the party and assisting its candidates' (re)election.

Quite simply, the whole logic was flawed. The partnership with the unions certainly needed, and still needs, rethinking. Wherever union bosses assume functions befitting those of political leaders, they lead to confusion, internal wrangling and ultimately electoral defeat. Trade unions have a big responsibility to give voice to the excluded and the marginalized combining practical politics with an open-minded, progressive approach to legislation and social partnership. The ranks of the newly excluded, those on low incomes, precarious jobs and no social security, have swelled. The unions have generally failed to address their concerns and often give the impression of an aloof grouping interested in preserving the rights obtained for its members before addressing the concerns of non-members.

Yet the Third Way fallacy of excluding the unions from the attempt to build a progressive alliance betrays a dangerous neglect of the labour movement's foundations, as well as a disregard for the practical realities of the labour market. If, in the famous words of Tony Blair, 'what matters is what works', excluding your natural allies from the social democratic project is bound to make the new coalition more shallow and less value-driven than it ought to be. When the crisis hit home in 2008–2009, this is exactly the picture that emerged. Social democracy had ceased, in most countries across Europe, to be a movement. It had carelessly abandoned its mass character in favour of individually oriented policy packages appealing almost exclusively to metropolitan tastes and middle-class concerns. When the time came to stand up for an alternative political and economic project that would free productive forces from the asphyxiating constraints of the market, social democracy's natural constituents either remained silent or, worse yet, turned their back to their former allies. At any rate, trade unions in the UK and across most of Europe are by now as 'moderate' in their demands as they have ever been.

This is a relationship that needs urgent repair at a time when, across the continent, budget cuts and harsh austerity measures threaten to undermine welfare achievements for millions of employees and their dependants. Social democrats and trade unionists cannot afford a moment of complacency any more. But the road to renewal goes through an honest assessment of the status quo and of the socio-economic transformation of our time.

Social democrats and trade unions in the new era

The shortcomings of the Third Way with regard to its approach towards the trade unions should not blind us to the fact that real changes in the party-union linkage have indeed occurred. Contemporary changes in society, economics and politics are profound, facilitated by technological innovation and spearheaded by the communications revolution (Held et al., 1999). Both social democrats and trade unions face a set of dramatic challenges, which call into question their ability to retain their mass character and to inspire a progressive way out of the current conundrum.

Social democracy is a somewhat paradoxical political animal. It is a radical movement in the sense that it envisions a socio-economic reality freed from the impositions of market fundamentalism, calling for a cross-border solidarity that reaches beyond the confines of the nation

state. However, its major achievements took place in the post-war conservative era of cultural certainties and economic stability underpinned by the Bretton Woods settlement. Today it has to battle with a historic challenge, as it seeks to accommodate the cultural demands of late modernity whilst addressing traditional socio-economic grievances caused by deregulated markets. The challenge becomes even greater when one considers one of the central paradoxes of our time: we face global problems regarding terrorism, climate change, energy security and so on, yet our mode of operation, way of thinking and institutional armoury remain geared to an ineffective national framework. Even the European Union (EU), the regional project geared towards circumventing the dominance of nation-mindedness in the aftermath of the Second World War catastrophe, is showing signs of exhaustion and a dangerous lack of political initiative as the Eurozone crisis threatens to undo decades of progress in supranational norm-creation.

Surveys conducted over decades confirm that a shift towards post-materialist values and the rise of identity politics have occurred (Inglehart, 1987). The result has been the breakup of the social democratic constituency and its internal division on a number of different issues. A capable leadership and deep bonds of loyalty to the party and its history can address the problem, at least up to a point. More often than not, however, new generations of social democrats lack the charisma of the war generation, and their approach to politics is driven more by the requirements of 24-hour media scrutiny than by broader considerations of the movement's political direction.

In party political terms, this fragmentation is usually expressed through the creation of influential parties to the left of social democracy, as well as of powerful green parties. Left parties style themselves on the model of 'traditional' social democracy, adopting earlier slogans centred on national economic and political sovereignty. They enhance their appeal by adopting popular causes (for instance a legally binding minimum wage) and usually side with conservatives on questions of identity politics, multiculturalism, immigration and so on. Should the electoral system favour smaller parties, their influence on national politics could be decisive and their rhetoric very harmful for social democrats.

The green movement and its party political expression reflect the split in social democratic constituents and go beyond it at the same time. Their political platform often runs parallel to social democratic concerns regarding environmental sustainability and the need for balanced growth, but their often post-ideological approach to socio-economic issues of concern to social democratic constituents makes an alliance

with green parties a precarious choice.⁴ At the heart of social democracy's dilemma in the modern era stands therefore the question of how to combine its left-wing credentials with the new agenda brought forward by new social movements and by the rise of identity politics (Kitschelt, 1994). Furthermore, 'modern' conservatives and liberals alike have been quick to try and claim the 'green' agenda for themselves in a number of countries.

The unions too face a world much less accommodating to their traditional agenda. Their source of strength has been industrial labour, preferably with a strong class identity cultivated through union work, industrial activism and ideological leadership. But conditions have changed in a number of fronts, and some of these changes are irreversible. Workers have become a heterogeneous body and their common interests have been affected by the rise of the affluent society and the individualization of lifestyle choices. This has led to a fragmentation of the union movement and an increase in intra-union conflicts as to the strategies to be pursued and the goals to be fulfilled. (Locke and Thelen, 1995)

Clearly, this has marked a decline in union power, both with regard to its influence in the post-Keynesian world and in terms of numerical strength and declining membership (Tsarouhas, 2008; Visser, 2006). What is more, the formerly encompassing union confederations have come under attack by employers favouring flexibility and the decentralization of collective bargaining at branch, local, or even individual employee level (Golden et al., 2008, 174). Although interpretations about the precise nature of union decline differ, increased capital mobility is coupled with structural constraints in macroeconomic policy making. In the case of Europe, the process of European integration has added a further impediment to the influence of unions, to the extent that demand-led policies have been institutionally ruled out since Maastricht, and this fact has made unions less significant partners for governments.

The loosening of ties between social democrats and trade unions is therefore the result of factors that sometimes reach beyond the ability of both actors to control their environment. To take but one example, collective bargaining decentralization and its negative effect on union influence are unlikely to be reversed in the near future, and the same holds true for the fragmentation of the social democratic constituency. What is required therefore is a new strategy befitting our times.

The importance of social democracy and the trade unions today

The task ahead for social democrats willing to rebuild their movement and to offer a fresh impetus to their mission is undoubtedly difficult. Yet there are grounds to be optimistic, even in this complex policy environment, regarding both the relevance of social democracy and the positive role that trade unions can play in this process.

To start with, social democracy's commitment to encompassing, generously funded welfare states is in tune with contemporary economic reality. Evidence suggests that the shift in state revenues derived from taxation in favour of a lessened burden on income tax is a political choice rather than one necessitated by economic globalization. The challenge, therefore, is to be able to make the *political* argument in favour of a shift towards higher income taxes for those who can afford them, so as to back up a universalist model of welfare (see Pontusson, 2005, 216). Moreover, the (potential) social democratic constituency on the issue has risen in recent decades, as economic insecurity has spread to include ever larger parts of the middle class (Pontusson, 2005, 201).

The argument regarding welfare and social democracy holds true in more general terms too. Duane Swank has persuasively argued that institutional features approximating social democratic objectives, such as social corporatist interest representation and universal welfare programmes, mitigate the impact of globalization and need not lead to welfare state retrenchment (Swank, 2002). While global capital and financial markets constrain governments everywhere, social democratic policies are not necessarily doomed, considering that investors hardly ever follow the singular logic of lower taxes before deciding on investment sites (Mosley, 2003).

Trade unions need not despair either. They have been weakened everywhere and have suffered great losses in influence. Yet, at least in Europe, they have managed to retain their institutional significance in terms of public policy reform, and they remain decisive players in resisting the politics of austerity. Furthermore, the evidence of an inevitable clash between the trade union movement, conceived in traditional terms, and the new social movements remains flimsy at best. Callaghan, for instance, has used examples from trade union politics in the UK, Denmark and Germany to argue that, far from categorically objecting to the 'greening' of Social Democratic Parties, unions occupy a more complex position and are willing to embrace the agenda of ecological sustainability to the extent that wages, employment and working

conditions are not undermined (Callaghan, 2006, 187). Finally, encompassing unions have a positive effect on economic performance, since coordinated wage bargaining can still deliver a good macroeconomic performance in the medium term. What is more, unionization correlates positively with relatively higher levels of wage compression. Deunionization, on the other hand, contributes to the rise in wage inequality.

The evidence summarized above indicates that social democracy is relevant. It is also more necessary than ever, in light of the recent economic crisis, which highlights the unsustainable nature of unregulated capitalism. The project of social democratic renewal goes through the rebuilding of strong institutional ties with the trade union movement and the formation of a broad progressive political platform. This broad coalition, including NGOs and other social movements, can only be built if social democracy succeeds in combining its message of materialist restoration of welfare and social compensation with a positive response to the anxieties of late modernity. Social democracy needs to articulate a new vision of the good society as the secure society, one in which solidarity and a sense of community offer individuals the chance for collective self-expression. In building such a coalition, the support of representative, innovative and forward-looking trade unions can prove very valuable.

Notes

1. In the 2010 Swedish general election, the Social Democratic Party (SAP) recorded its worst election outcome since the First World War, gathering only 30 per cent of the votes and thus allowing the incumbent centre-right coalition to remain in office. A factor in the defeat was that only 50 per cent of the votes cast by members of the social democratic Trade Union Confederation (LO) went to SAP. Meanwhile some surveys suggest that LO members are increasingly of the opinion that LO ought to cease its financial and political support of SAP (Kronlid, 2010).
2. Some of the criticism exerted against the Third Way claimed that this agenda had nothing to do with social democracy. To the extent that Labour Party policies were representative of the Third Way, this is an unfair criticism. Labour funded public services generously, introduced the minimum wage and moved (albeit timidly) towards a mild redistribution by stealth.

Hugh Collins (2001, 205) has argued that the British Third Way was an interesting mix with regard to labour law. While endorsing the freedom of association principle held dear by social democrats (albeit subject to criticism if used to hinder partnership-based solutions with employers), it was suspicious of free collective bargaining to set the price for labour. The Third Way

preferred instead to promote alternative channels of employee representation, so as not to compel employers to enter collective bargaining agreements. Clearly its endorsement of collective bargaining was a qualified one – a very different stance from the practice of social democrats in Scandinavia.

3. While in Germany the SPD and the Greens worked together in relative harmony in the past at federal level and there are signs that this may be repeated in the future, Sweden tells a different story altogether. There the decision by the SAP leader to enter a formal coalition with the Green party a year and a half prior to the 2010 election led to loud intra-party protests and calls for an inclusion of the Left Party into the coalition, so as to balance out the 'bourgeois' credentials of the Greens on issues regarding social insurance reform, the unemployment benefit system and so on. The clear defeat of the 'red-green' coalition and the sharp decline in SAP's popularity following the announcement of the pact testify to the difficulty of combining the often clashing demands of left and green parties in a common platform.
4. That percentage is roughly 20 per cent and holds true for the rise in wage inequality in the US from the 1970s to the late 1980s. See (Pontusson, 2005, 61).