

## Book Reviews

Transfer

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**Colin Crouch**

*The Strange Non-Death of Neoliberalism*, Polity Press: Cambridge, 2011; 224 pp.: 9780745651200

**Reviewed by:** Aidan Regan, Max Weber Fellow, European University Institute (EUI)

The central question of this book could not be more pertinent: why is it that in the aftermath of the great financial crisis neoliberal economic ideas have emerged not only unscathed but more powerful than ever before? The explanation that Colin Crouch provides is that ‘actually existing’ neoliberalism is not at all about the efficient operation of free competitive markets but rather about the political dominance of the multinational corporation over both the market and the state. Much like the ‘varieties of capitalism’ (VoC) school of thought, in comparative political economy, this book puts the firm at the centre of its analysis, and attempts to move beyond what Crouch considers outdated political debates on ‘states versus markets’, which tend to bypass corporate governance. But unlike VoC, this book analyses the role of the firm in significantly less benevolent terms. The argument that powerful corporations increasingly shape both the market and the polity has the advantage of making explicit the underlying political beneficiaries and material interests of neoliberalism. The core problem of the book, however, to which I will return in the conclusion, is that Crouch does not probe or discuss these underlying interests nearly far enough.

The book begins with a *tour d’horizon* of democratic capitalism in Europe, namely the post-war political compromise of market allocation and democratic distribution in Keynesian welfare states. Crouch concludes that the Achilles heel of these social democratic variants of capitalism was the Keynesian commitment to full employment, encompassing collective bargaining and a generous welfare state. This led to inflationary tendencies and growing public indebtedness that proved, as Hayek had predicted, unsustainable. When the Keynesian model imploded the political space for the neoliberal policy paradigm emerged, premised on a defence of free market economics. The book provides a theoretic-analytic account of the model of pure markets, that are derived from these neoclassical economic ideas, and that underpin the cognitive and normative justification of neoliberalism. Much like what Marx did in *Das Kapital*, however, Crouch accepts these models in order to show how unrealistic their underlying assumptions really are. In the neoclassical model of supply and demand, optimal prices emerge at that point (equilibrium) where consumers and producers operating in a free competitive market intersect. Anything that interferes with this ‘natural’ market process, such as a minimum wage, upsets the equilibrium and is considered, by definition, inefficient.

It is this a priori assumption of a competitive economy between isolated consumers and producers where Crouch carves out the space for his empirical critique. In the competitive market model, as argued by many comparative political economists, the firm is nothing other than a nexus of private contracts. This, Crouch argues, is the fundamental error of these theories, and that we have to make an empirical distinction between the market and the firm. Neoliberals conveniently conflate

the two with the implication that all the beneficial efficiencies associated with the 'market' are now attributed to the multinational 'corporation'. This sleight of hand is no accident and emerged, in particular, from the Chicago school of economics, which successfully argued that consumer welfare is best maximized when the overall wealth of an economy increases. How this is distributed is not important. If the most efficient way to achieve an aggregate increase in wealth is through large corporations taking over small firms then so be it. Using empirical examples on anti-trust legislation in the US and the extensive lobbying activities of multinational firms over public policy, Crouch concludes that what these economists ultimately defend is the corporate takeover of the market. This has undermined competition, and hence the core assumption of the free market model. One only has to observe the influence of private insurance companies over the proposed Obamacare health care policy reforms to elucidate this point. Crouch pushes the point further when he analyses the privatization and marketization of public services in the UK. The outcome of trying to reduce the role of the state in the economy, that neoliberals actively espouse, has simply opened up the space for the dominance of private firms and private contractors over public institutions. The relationship between private business interests and the democratic polity has become blurred, and therefore removed from political contestation. This increases the possibility of corruption and ultimately undermines liberal democracy, even if Crouch does not quite put it in such stark terms. The empirical conclusion that neoliberalism is ultimately about the corporate takeover of the polity, and the market, can be directly observed in the current financial crisis which was preceded by a period of what Crouch innovatively calls 'Privatised Keynesianism'. In the Keynesian paradigm the state took on public debt to stimulate the economy, but in the neoliberal paradigm it is individuals, households and private firms who take on debt to stimulate the economy, hence the concept 'privatised' Keynesianism. Debt is fundamental to both models. To compensate for declining wages, and the insecurity of flexible labour markets, individuals stimulated aggregate demand, and their consumption habits, through the credit card. The growth of finance markets, for a period, benefited both consumers and corporate firms alike.

It is precisely here, in the aftermath of the financial crisis, and the bursting of the credit bubble, that we can explicitly observe the dominance of corporations over public policy. Private banks that were 'too big to fail' have been bailed out by taxpayers but simultaneously demand that democratic states cut back the provision of public services and social security to pay for their debt. If national governments do not follow the policy prescriptions of financial markets they are quickly threatened with increased bond yields, making it difficult to service the interest on public debt. This power of anonymous finance 'markets' over public policy, in reality, is the dominance of powerful financial 'corporations', namely private banks, insurance companies and hedge fund managers. In the final chapters of the book Crouch concludes that the only way to solve this dominance of the corporation over the economy is to politicize civil society, and drag private corporations into the public sphere to be held accountable for their actions. In essence, this is a defence of consumer sovereignty, to make corporations more socially responsible. He sees little or no role for the democratic state, or politics, in the civil society response, a conclusion that leaves the reader somewhat baffled.

There are three problems with the book. First, for an analysis on the corporate takeover of the market and polity, Crouch has remarkably little to say about social class, politics and power. One of the defining features of Western economies over the past 20 years is an explosion in income inequality, which is the direct outcome of business strategies and political decisions that have been taken in the material interests of those who own private market resources. The underlying class-coalition dynamics of this shift, particularly the relationship between political and business elites, necessitates a much more fine grained analysis. Secondly, and related to the first, the proposed alternative to deal with the implicit crisis of democracy, that Crouch has exposed, is utterly

unconvincing. No amount of rethinking values and civil society will alter the material distribution of income and power without using the state. Political parties, legitimized by the electorate to implement distributional policies, are shaped by inputs from civil society, but political parties in government, as representatives and decision-makers of the state, cannot be replaced by them. By overlooking politics in this way, Crouch reinforces the neoliberal economic and left-libertarian critique of the democratic state. Thirdly, the book is surprisingly short on empirical detail, and does not engage with the existing literature in comparative political economy on the very topic being discussed. If it did, Crouch would be forced to engage more seriously with those analysing business power and the underlying political-class coalitions that institutionalize neoliberalism as a socio-economic order. Crouch acknowledges this, however, and explicitly states that the book is not designed to engage in academic debates and therefore does not offer detailed references for further reading.

All of this aside, the book is an excellent contribution to the study of political economy and directly resolves the puzzle it has identified, namely, why has neoliberalism emerged unscathed from its own crisis? The answer is that neoliberalism is not about free markets at all but powerful corporations who have the resources to dictate the political response. This corporate takeover of the market and politics should be a serious cause for concern to all those who take democracy seriously.

### **Anne Dufrense**

*Le salaire, un enjeu pour l'euro-syndicalisme. Histoire de la coordination des négociations collectives nationales*, Presses Universitaires de Nancy: Nancy, 2011; 205 pp.: 97828143-0491, €18

**Reviewed by:** Roland Erne, University College Dublin

Anne Dufrense has written a very important book about a vital challenge European unions are facing. How can unions prevent a 'race to the bottom' in wages and working conditions within an integrated European Single Market and Monetary Union? What can be done to avoid the competition of European workers and unions against each other? One answer consists in the creation of a stronger cooperation between trade unions across borders.

In the late 1990s European unions started to coordinate their wage bargaining policies at EU level, in order to prevent the adoption of disruptive beggar-thy-neighbour wage policies. However, Anne Dufrense shows in this well-documented history of European unions' wage coordination that these attempts remained largely unsuccessful. She suggests the following two principal reasons for this failure: first, the heterogeneity of national trade union cultures, which makes the adoption of joint European policies very difficult. Secondly, the problematic nature of 'German leadership' within the European trade union movement. Hence, Dufrense's explanation of failure rests very much on primordial, national factors. Given that national cultures do not change very quickly, this implies that the prospects of a European coordination of trade unions' wage policies are quite bleak, especially given the absence of a legal framework for transnational collective bargaining at the EU level.

The study ranges from the early 1980s to the late 2000s and covers developments at the European cross-sector level (part 1), the European sectoral level (part 2) and cross-border initiatives at the regional level (part 3). The book's first part documents the rise and demise of the ETUC's 'inflation and productivity' wage increase benchmark, which was adopted in 2000 in order to guide national wage bargaining policies in an era of increased economic and monetary integration. The second part – on the European sectoral level – traces parallel developments within European Trade

Union Federations, especially the European Metalworkers Federation, whereas the third part focuses on the cross-border wage bargaining coordination attempt of German and Benelux trade unions, the so-called Doorn initiative.

Dufrense's study is based on her PhD research at the University Paris-X-Nanterre and the Université Libre de Bruxelles. It relies first and foremost on a vast amount of policy documents from the European Trade Union Confederation (ETUC), the European Metalworkers' Federation (EMF), and other European federations. Dufrense also included participant observations of EU-level union meetings and 19 expert interviews, especially with EU-level union officials. These sources enable Dufrense to provide a very detailed description of the development of ETUC and EMF policy in this field.

The exclusive focus of the study's research design on EU-level experts and documents, however, also has its limits. It is very difficult to comprehend developments at EU level without a good understanding of the internal dynamics that are at work among national actors. Can we really assume that 'nations' are the principal actors in European trade union politics, as Dufrense does?

'Alors que, pour *la Belgique*, la constitution de group de Doorn avait pour motivation principale le remède à sa nouvelle norme salariale extérieure, l'*Allemagne* y cherchait, elle, un terrain d'application possible de la coordination des négociation collectives, bloquée au niveau communautaire depuis 1993' (emphasis added, page 144).

[While for *Belgium*, the principal motivation for the formation of the Doorn Group was to seek a remedy for its new external salary norm, *Germany* for its part sought an opportunity to put into practice the coordination of collective bargaining, which had been blocked at the Community level since 1993' (emphasis added, page 144).]

German unions certainly played a leading role in the establishment of the 'inflation plus productivity' norm as a European wage coordination benchmark in the late 1990s. In turn, 'la dérive salariale allemande' (page 155) also contributed to the subsequent demise of the European wage coordination policy. Finally, 'les Allemands' undoubtedly also played a leading role in the ETUC call for minimum wages at its 2007 congress. But does that really mean that 'le *leadership* allemand' (page 156) is the major explanatory factor behind all these contradictory events? Or does the inconsistent trajectory of European unions' wage coordination policies suggest that the explanation must lie elsewhere?

As argued previously (Erne, 2008), the remarkable policy shifts in German and European unions' wage coordination policy seem to me rather to be a contingent result of the policy battles of the late 1990s and early 2000s between left-wing 'Euro-Keynesian' and right-wing 'competitive corporatist' currents of the labour movement that split social democratic and socialist parties and trade unions across Europe. Dufrense is correct when she emphasizes that many French and Italian unions greeted the 'German' inflation and productivity wage bargaining benchmark with scepticism.

'Certain syndicats – en particulier méditerranéen (de France, d'Espagne, et Italy) mais aussi a fortiori la grande confédération du Royaume-Uni – ont longtemps craint cette prédominance du système allemand, n'acceptant alors que formellement le processus de coordination, tout en le jugeant, en fait, inapproprié' (page 1 955).

['Some trade unions – in particular the mediterranean unions (in France, Spain, and Italy) and even more so the large confederation in the United Kingdom – had long dreaded this predominance of the German system, only formally accepting the coordination process while, in fact, judging it to be misguided all along.' (page 1 955)]

On the other hand, one should also note that the traditionally least Germanophile sections of the French and Italian trade union movement – namely the left-wing of FIOM-CGIL and the French CGT – were the most resolute supporters of the EMF and ETUC wage bargaining coordination benchmarks. This observation, however, would not be so surprising if one associates the promotion of the European wage bargaining coordination benchmark not with the German union movement per se but rather with its Euro-Keynesian left. Conversely, ‘la dérive salariale allemande’ that led to the demise of the European wage bargaining coordination benchmark should not be seen as an outcome of the German system or the late Franz Traxler’s scholarly ‘vision’ of collective bargaining, but as the contingent result of the defeat of Oskar Lafontaine within the SPD and the Euro-Keynesian wing in the German IG Metall. A more political reading of the recent history of European collective bargaining coordination would also allow a more positive conclusion regarding its future. The ‘dérive salariale allemande’ not only created huge economic imbalances within the euro area but also impoverished German workers, especially in the domestic service sector. Therefore, it may still be possible to construct new transnational alliances to support European workers’ wage claims in the future, as political orientations can be changed more easily, by contrast to primordial national identities.

### Reference

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### Melanie Simms, Jane Holgate and Edmund Heery

*Union Voices: Tactics and Tensions in UK Organizing*, Cornell University Press: Ithaca, 2013; 176 pp.: 9780801451201, US\$69.95 (hbk), 9780801478130, US\$22.95 (pbk)

**Reviewed by:** Gregor Gall, University of Bradford

What can unions in continental European countries learn from the experiences of unions in Britain given the diverse traditions of union behaviour and the different institutional set-ups that exist across either side of the English Channel? Britain is increasingly becoming a full-blown liberal market economy while many western European countries remain more as coordinated market economies. But do common threads exist over and above any of these differences and which consequently put them into a subordinate role? Despite any differences, are not employment relations characterized by inequalities in power, ideology and material interests between labour and capital?

This would presumably be the most obvious perspective that many readers of *Transfer* would take to a study of the attempt by unions in Britain to renew and revitalize themselves through the application of the approach and tactics of ‘union organizing’. By any definition, ‘union organizing’ is quintessentially about the grass-roots members becoming more involved in the agenda setting of their workplace union and pursuit of that agenda by various collective means. It should, thus, be about more than membership recruitment, whether on green or brownfields, or retention because it is concerned with increasing union effectiveness and union democracy.

*Union Voices*, the result of a 13-year research project (from 1996) undertaken in different stages by first Heery and Simms and then by Holgate and Simms, seeks to evaluate how unions have fared in interpreting and implementing the turn to ‘union organizing’. It comes at a time when ‘union organizing’ has had a good run of time and resources. The authors found considerable weaknesses in the intentions, processes and outcomes of ‘union organizing’. The book does amply tell the story

of the union organizers involved (as was the stated intention), the authors almost go 'native' in places by identifying very heavily with the organizers against their employing unions. Nonetheless, the authors demonstrate that recruitment was prioritized above other goals, that the goal of the almost self-sustaining workplace unionism was seldom achieved, and that various counter-productive and dysfunctional tensions existed, *inter alia*, between 'generalist' union officers and specialist 'organizing' officers and the latter and more senior union officers. The training for the union organizers was based upon practical skills outside of a motivational framework and worldview of something like social democracy. The questions should then become: was this as a result of flaws in 'union organizing', the version(s) implemented or the way it was implemented or something different altogether? Here the book is on much weaker ground, for the attempt to create a revolution 'from above' at the grass-roots level and more often than not from the classroom (contra the Freirean pedagogical belief) comes with a series of innate dynamics and characteristics, especially in nominally democratic, participative activist-based organizations such as unions. As it was, reliance was made by the authors upon the influence of labour markets to explain inter-union variation in outcomes without considering the influence of the path dependency of internal union political cultures or available resources.

Part of the limitations may stem from the authors' empirical base of focusing upon the TUC 'Organising Academy' to answer these questions. This is a particular type of initiative from a peak body, in which a least controversial-cum-lowest common denominator line of operation was taken. Yet although a substantial initiative with 240 graduates since 1998, it is not synonymous with 'union organizing' for not all unions participated in it and, for those that did, not all did so in equal measure. Therefore, the yardstick was partial and so were some of the criteria adopted for the purpose of evaluation. For example, in the economic arena did (and if so when, where and how) 'union organizing' raise the value of workers' terms and conditions of employment? Moreover, the tone of the text is very much with the 'young Turks' against the 'old guard' without due consideration that the former have sectional and vested interests as much as the latter. The variable of measuring and analysing the degree of leadership and institutional support was rather absent.

However, the source of the book's limitations is more critically found elsewhere. There is far more assertion and comment than hard-headed and in-depth analysis. For example, there have been a multitude of previous studies examining unions as organizations (for example, on leadership, bureaucracy and polyarchy) as well as their internal processes (for example, on factionalism and activist cadre). Equally true is that there have been a multitude of previous studies examining unions as organizations of collective mobilization. Yet none of the fruits of these previous endeavours has been brought to bear upon understanding and explaining the internal support and resistance encountered or the varying degrees of external leverage created. Certainly, the politics of 'union organizing' received sparse and inadequate treatment in this work despite the professed intention. Elsewhere, central issues of union effectiveness, power and leverage are not examined, much less with the aid of previous literatures. A keen sense of the limitations of what was and is possible with 'union organizing' in its historical temporal (for example, a period of downswing) and spatial (for example, a decentralized system of bargaining) terms is absent (even though this is raised by other writers on 'union organizing').

So to return to the question posed earlier of what usefully emerges for the predominant readership of *Transfer*, there is the confirmation of a well-known and disappointing outcome for 'union organizing' in Britain, which is not dissimilar to that which has occurred in the United States. Although beyond the scope of *Union Voices*, it would be worthwhile speculating whether the chances of 'union organizing' are any greater if implemented in coordinated market economies. That would make the useful subject of a further book.

**Ronald C Brown**

*Understanding Labor and Employment Law in China*, Cambridge University Press: Cambridge, 2010; 9780521191487 (hbk)

**Reviewed by:** Coralie Guedes, University of Lyon

The 2000s, and particularly 2008, marked a turning point in the history of labour law in China. This was the year when three major pieces of legislation, in terms of their repercussions for labour law in China, came into force: the law on labour contracts, the law on mediation and arbitration in labour disputes, and the law on employment promotion. It took 14 years for these laws to be adopted after the introduction of a general framework with the 1994 Labour Law, which at the time formed part of the gradual process of 'reform and opening up' initiated by the Chinese leadership in the early 1980s, marking the transition from a planned economy to a 'socialist market economy', as reflected in a wave of privatizations of previously state-owned enterprises.

This work, first published in 2010, thus comes at an ideal time to assess how labour law is faring today. The author, writing in this post-reform context, aims to cover more or less every aspect of this subject.

The book was also written against the background of the global crisis, from which China too has suffered, with widening inequalities and the authorities divided between the desire to ensure good industrial relations through better wealth distribution and greater protection for workers, and the rising fear of putting a brake on the country's economic success as well as foreign investment.

Without being a labour law manual, this book aims to provide a general overview of the subject at both collective and individual levels, while also covering the crucial question of social security. Achieving this ambitious plan in just a few hundred pages means that the author is unable to go into detail, so the reader will probably be left wanting more, such as on the question of dismissal, for instance. But it must be borne in mind that the aim is actually to help the reader understand the system of industrial relations in China, and to show any sceptics that labour law does indeed exist. And it is with this in mind that, throughout the book, the author provides insight into the situation in China and what makes it special.

After an introductory chapter which discusses future developments in China, and locates the discussion that follows within the Chinese context, the structure of the book is fairly typical of works on labour law: definition of employment relationships, formation of labour contracts, performance of labour contracts, disciplinary rules and termination of labour contracts, and finally dispute resolution.

The author thus takes a traditional approach in Part I, seeking to define the employment relationship in order to determine the scope of labour law. Two factors characterize the employment relationship: performing physical or intellectual work in return for payment, and becoming a member of the enterprise or entity. It is notable that the concept of legal or economic subordination which is widespread in Europe for categorizing the employment relationship is not found here.

In Part II the author examines, among other things, the question of trade unions. The Chinese system might rightly be called a one-union system, which comes as no surprise in a political system based on a single party. All trade unions in China are required to belong to a single union, the ACFTU (All China Federation of Trade Unions). ACFTU's role has been criticized because of its 'dual mission' as both part of the state apparatus and a trade union organization. Since economic issues appear to take precedence over social issues, it has been accused of being more in favour of developing enterprises rather than workers' rights.

The author then goes on to look at issues to do with discrimination, using comparisons with US law. It is a pity that greater use is not made of comparative law throughout the book. Later on, the author also considers problems relating to the health and safety of workers, a hugely important and difficult issue in China, particularly because, as the author points out, although a social security system is gradually being introduced, cover remains broadly inadequate. There is no denying, however, that progress has been made in this field.

In a final section, after looking at the termination of labour contracts and in particular dismissal, the author describes the legal remedies available for labour disputes. The use of arbitration is clearly very widely encouraged and is also, except in rare cases listed exhaustively in the legislation, mandatory before legal proceedings can be brought. The author gives a very clear description of the 'route' to resolution of a dispute: mediation, arbitration and finally application to the courts if the first two phases fail.

The report ends with a number of illustrations of individual and collective employment contracts.

Throughout the book the author raises certain cross-cutting issues that are peculiar to the Chinese context. For instance, he often points out that although China is a highly centralized state, local government tends to be very independent, which is vital given the size of the country and its population. In the legislative process central government is responsible for issuing guidelines, which local government then takes the necessary steps to implement. The author provides some essential insights for understanding the system here, giving a number of illustrations of these local implementing measures and how they are interpreted by the courts. Independent local governments and rapid economic development in certain regions (particularly along the coast) are creating severe inequalities primarily between different areas, but also within enterprises themselves, as well as between workers, depending on their social status. If there is one issue which is characteristic of the situation in China, it is the question of migrant workers. Because of the 'hukou' system introduced by the Chinese authorities in the early 1950s to curb the full-on rural exodus, workers holding a 'rural hukou' cannot work, send their children to school or receive social insurance benefits in towns and cities, unless they obtain at least a temporary 'urban' residence permit (entitling them to limited benefits). Although the conditions for obtaining this residence permit have been relaxed, the situation of migrant workers remains a major problem for today's China, including in terms of labour law, as the author constantly reminds us.

In reading this book, the reader will probably be surprised by how labour law has developed in China, but, as the author makes a point of telling us, one of the challenges still facing China is how to enforce labour law effectively.

*Translation from the French by Julie Barnes*

### **Siglinde Hessler**

*Arbeitnehmerrechte weltweit stärken? Die Umsetzung der Internationalen Rahmenvereinbarungen in Mexiko* [Strengthening workers' rights throughout the world: the application of International Framework Agreements in Mexico], Campus Verlag: Frankfurt/New York, 2012; 348 pp.: 9783593397795

**Reviewed by:** Stefan Rüb, European and Global Industrial Relations Research Group, Fulda University, Germany

International Framework Agreements (IFAs) are a recently introduced and innovative global instrument for influencing local working and employment conditions. Initially developed in the mid-1990s by global trade unions, such agreements have since been concluded with some 100



MNCs. One of the core objectives of these agreements is to get MNCs to enter into contractual commitments to comply with the ILO core labour standards in their locations throughout the world, wherever possible also submitting their suppliers and service providers to the same commitment.

Their use in practice and their impact need first to be studied before any conclusion can be drawn on whether International Framework Agreements are a suitable instrument for applying worker and trade union rights in global production and commercial networks, or whether they merely serve as a social fig leaf for unrestrained economic globalization and the global profit maximization of MNCs.

Research into the application and impact of International Framework Agreements is still in its infancy, from both a quantitative and a theoretical-conceptual perspective. As yet, there are only a handful of country / company case studies in which the chances, limits and practice of the local implementation and impact of International Framework Agreements have been looked at in detail. Particularly noteworthy is the study of an international and interdisciplinary research team at the FU Berlin, which involves case studies on the application of International Framework Agreements in Brazil, India, Turkey and the US (Fichter et al., 2012).

With her very revealing study of Mexico, Siglinde Hessler has provided a further contribution to this empirical field of research. In her study, Hessler looks at the Mexican locations of four German companies belonging to the automotive sector. The empirical dimension mainly involves a total of 50 expert interviews with representatives from management, trade unions and works councils from Mexico and Germany, as well as with representatives from the International Metalworkers' Federation (now part of the IndustriAll Global Union established in 2012). The interviews in Mexico were conducted during Hessler's two research residencies in autumn 2006 and spring 2007.

The choice of Mexico was not without reason. The country constitutes difficult terrain for the application of IFAs, as Mexican trade unions are not a reliable partner in this respect on account of the fact that the Mexican government greatly encroaches on trade union autonomy. It decides on the legitimacy of unions, collective agreements and strikes, awards the '*titularidad*', an instrument giving a union the sole right of representation in a company, and facilitates the conclusion of '*contratos de protección*', trade union protection contracts. Protection contracts are collective agreements concluded between trade unions and the management of a company without the knowledge of employees, but with the approval of state authorities. The conclusion of protection contracts excludes employees from the negotiation of collective agreements and establishes a trade union as a bargaining partner loyal to the company concerned. This arrangement basically means that collective agreements rarely contain conditions going beyond the provisions enshrined in labour legislation. The Mexican government has just as little interest in breaking up the system of protection contracts as the Mexican employers and the traditionally-minded trade unions with their close contacts to the government and political parties and their close cooperation with employers. In addition, Mexican employers make enormous use of the possibility of excluding '*trabajadores de confianza*', workers who supposedly have in-depth knowledge of a company's internals, from belonging to a union. According to Hessler, in some companies all salaried employees are classified as '*trabajadores de confianza*', meaning that up to 50 per cent of staff are excluded from union membership. '*Contratos de proteccion*' and '*trabajadores de confianza*' both constitute violations of basic trade union rights and therefore of the core provisions of nearly all IFAs. Consistent application of IFA provisions would thus make great inroads into Mexico's national industrial relations.

How were IFA provisions applied in the locations studied by Hessler?

(1) There is not enough pressure from company headquarters in Germany to force the management of the Mexican locations to go any further in applying an IFA than just making an announcement – which is sometimes restricted to top-level management.

(2) In the majority of locations studied by Hessler, workers were represented by in-house (company) trade unions belonging to the traditionally-minded Trade Union Confederation and not affiliated to the International Metalworkers' Federation (IMF). These unions had no great interest in the IFA and saw no need to apply IFA provisions.

(3) In just one case the company trade union belonged to an independent trade union federation affiliated to the IMF. This union saw the IFA and the international trade union network as a chance of expanding its own scope of action. With the help of the IFA they managed to gain authorization for third-party workers to have use of the company canteen and the company-run transport system bringing workers to and from work.

(4) In one of the locations studied by Hessler, the union had finally signed a protection contract with the company management. In this case, the IMF and the Mexican branch of the Friedrich Ebert Foundation used the IFA – in collaboration with local NGOs – as a lever to demand compliance with basic trade union rights. Whether this campaign was successful was not known at the end of the empirical phase.

(5) The IFAs were not used at all to tackle the problem of '*trabajadores de confianza*'. Although, in Hessler's opinion this arrangement played a major role in the companies supplying the locations studied.

Hessler's case studies clearly show that IFAs do not automatically have any impact, being dependent on people able and willing to push for their application, often against opposition. Hessler is right in pointing out that the application of IFAs in local practice is embedded in a broader discourse. She therefore concludes that: 'With IFAs creating expectations and thus legitimate pressure transgressing national borders and independent of national legislation and regulatory systems, they are good tools for achieving compliance with minimum working standards in countries in which the national arrangements are not conducive to promoting such.' (301)

*Translation from the German by Richard Lomax*

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## **Tito Boeri, Herbert Brücker, Frédéric Docquier and Hillel Rapoport (eds)**

*Brain Drain and Brain Gain*, Oxford University Press: Oxford, and Fondazione Roberto De Benedetti, 2012; 317 pp.: 9780199654826

**Reviewed by:** Hedva Sarfati, former ILO Director, Industrial Relations Department, ISSA consultant on labour market and welfare reforms

The global race for talents, a key to innovation, competitiveness and growth, is bound to become tougher in the context of globalization, demographic ageing and the shift in the world balance from high-income countries, especially in the OECD area, to the emerging economies. Thus 'brain drain' and 'brain gain' need to be better understood to avoid a zero-sum game.

This book takes stock of the brain drain/gain issue globally and regionally, trying to assess the size of the phenomenon, its main movers and constraints, describing diverse measures to attract and retain highly skilled staff and students in high-income and in developing economies.

The book consists of two parts. The first sets out to explain the factors involved in high-skilled worker migration in developed countries. It reviews the current national policy approaches to attract and select the highly skilled in traditional immigration countries – Australia, Canada, New Zealand and the US – at the EU level and in some European countries (Chapter 1). Chapter 2 covers immigration trends, including the size of the global pool of high-skilled labour, the characteristics of those at the top of the skill distribution and the competition for foreign skills, noting that, unlike low and middle skill migrants, the high-skilled adapt quickly to the host country's society and labour markets, raising fewer political problems for governments. Chapter 3 analyses the determinants of high-skilled migration from the OECD countries between 1980 and 2005, developing an empirical model for assessing outcomes and gaps in the available data. Chapter 4 looks at the impact of this migration on employment, capital intensity and productivity, assessing brain gains in both good and bad economic times. Chapter 5 discusses the elements of a political economy model of immigration policy, highlighting individual attitudes to skilled migrants and migration policies, including those of voters and other pressure groups. Chapter 6 looks at international mobility and the competition for skills, formulating a model of an emerging Battle for Brains. Chapter 7 concludes this part by assessing skill-selective policies, the geography of such migration flows that tend to be concentrated on a small number of countries, responding positively to the wage premium for high education and to skill-selective migration policies. Such policies constitute brain gain for the receiving economies and their labour markets, even during economic downturns, so the authors wonder why such policies do not find more support. They question the possibility that the growing skill contest could result in adverse impacts on both destination and sending countries.

Part II is devoted to the impact of brain drain on developing countries, starting by assessing its size, including South–South migration, education and training policies, the impact of the brain drain of scientist and health professionals (Chapter 8), and the evidence and implications concerning the economic performance of the sending countries (Chapter 9). Chapter 10 looks more specifically at policy issues related to the implications for education and immigration/emigration and taxation policies of sending countries, as well as the impact of economic downturns on migration flows and policies. Chapter 11 provides a global set of conclusions for the whole volume, and is followed by some critical comments on the methodology and analysis of the book by two outside experts.

The book provides interesting insights into the global quantity of high-skilled workers and their geographical distribution; how they fare in comparison with native counterparts; the relative role of immigration policies versus other factors that drive immigration of the high-skilled; the balance between brain drain and gain and how it affects sending and receiving countries; and concludes with a few policy recommendations.

How big is the worldwide trove of high-skilled migrants, where is it concentrated and what are its characteristics? Scant data provide different figures, one of which estimates the global pool at 338 million, of whom 56 per cent reside in high-income countries and 3.5 per cent in low-income ones. This pool has more than trebled over the past 25 years, while the world population grew only by a factor of 1.5. The fastest growing pool is among South and East Asia lower-middle-income countries (notably China and India), and it is expected to increase in future decades. Thus, in 1975 talent flow from within the OECD area stood at two-thirds, declining to 50 per cent by 2000, while the share from low-, lower-middle- and higher-middle-income countries has surged over the past

decade (to 27 per cent from China and India, 26 per cent from Mexico, Northern Africa and Russia).

The current stock of high-skilled migrants in the OECD area is estimated at about 20 million, half of whom come from high-income countries. Only seven OECD countries are winners in the contest for talent via net inflow of highly skilled migrants, namely, the United States, Australia, Canada, Switzerland, Belgium, Sweden and Luxembourg, while most western European countries are net and sizable senders to other OECD countries, notably the UK, South Korea, Germany, Italy, but also New Zealand (which also attracts many high-skilled people), Mexico, Poland and Turkey. Seventeen out of 30 OECD countries send more high-skilled people to other OECD members than they receive from them and from outside this area.

How do foreign high-skilled workers compare to native counterparts? Interestingly, the scarce available evidence suggests that the concentration of foreign-born people with PhDs is much greater than among the native PhD population. The former's share reached 43 per cent in Canada, 25 per cent in the US and 8.5 per cent in Spain in 2000. Moreover, foreign students are heavily overrepresented in advanced research and theoretically based programmes, specializing more than native students in science and related fields. This is particularly evident in the United States, Canada and Australia.

How do they fare by comparison to the local population? Across OECD countries, roughly 10 per cent of immigrants and natives with a tertiary education fill top management positions, and 13 and 14 per cent, respectively, occupy highly skilled professional positions, which is thus very similar among both groups. This suggests that skill downgrading does not significantly affect high-skilled immigrants. There is mixed or weak evidence for wage convergence. The length of stay in the host country tends to increase the share of skilled foreign professionals who obtain a job above their skill level and reduces the risk of being unemployed. In the United States, immigrants who graduate in American universities have significantly higher wages than native graduates, are more likely to start-up a firm, be granted a patent or publish more academic papers. This positive bias may reflect the higher number of foreign students in fields of study with high returns in the labour market (that is, computer sciences, mathematics, engineering and physical sciences) and in high wage regions.

The authors look at what motivates international flows of the highly skilled and single out pay as the most important economic determinant, meaning both the average after-tax wage difference between the receiving and the sending country, and the after-tax wage premium for tertiary education in the receiving country. Other factors include changes in immigration legislation that favour high-skilled immigrants compared to less-skilled; laws limiting access of immigrants to welfare benefits and increasing restrictions on residence permits that tend to reduce the total inflow of immigrants, but increase selection among them of the highly educated. Welfare generosity, on the other hand, may increase the total number of immigrants, especially the share of the less educated among them but affect the highly skilled less. Higher labour protection tends to reduce the total number of immigrants and have a mixed impact on their selection. Higher R&D spending attracts more highly educated immigrants.

The authors are surprised to note that, despite the supposed benefits of 'brain gain' for receiving countries, it has so far not been quantified at the country level, whether in terms of total factor productivity, larger employment opportunities for natives or more opportunities for capital investment. They thus use estimates of such effects to assess the share of highly skilled foreigners among immigrants, distinguishing between the effects of immigration per se and the specific contribution of its skills intensity. Among their different findings the following seem important for their policy implications.

First, total immigration is not associated with lower employment of native workers. On the contrary, a larger share of foreign skilled intensity adds an extra positive effect to total employment and capital accumulation, leaving unchanged productivity and the capital/employment ratio, where prevalent wage rigidities result in more hiring rather than higher output per worker.

Secondly, given the rise in anti-immigrant sentiment, the authors consider the effect of recession on 'brain gain', noting that the impact of highly skilled new immigrants is positive in any phase of the business cycle. This suggests that either reducing total immigration or increasing its skill intensity in recessions could act as automatic stabilizers. This seems to be borne out by the US government proposal during the 2007–2008 recession automatically to grant green cards to foreign-born people with a PhD. On the whole, in the short run, total immigration seems to create some crowding-out of natives in business downturns, but brain gain from high foreign skill intensity on employment and capital accumulation still has a positive effect, which is of course particularly strong in the long run.

The prevalent xenophobic mood tries to limit total migration. The authors look at the impact on policy-makers of voters' and interest groups' attitudes towards high-skilled migrants, and find that public opinion as expressed by the 'average voter' does not appear to play a key role in shaping the skilled-migration policies (as opposed to overall migration), but interest groups representing specific segments of society, who may either benefit from skilled migrants (for example, firms) or feel hurt by them (native professionals and their associations or unions) appear to play a much more active role in the related policies. However, as the expected brain gains are too big to resist, the authors expect that more governments will try to introduce skill-selective immigration policies.

Given the limited options for skill-attracting immigration policies, the authors note that they are practised only in some countries, which leads them to ask what other instruments are or can be used for this purpose. They recall that the race for talents started in the late 1960s and was associated with the emergence of immigration policies consisting of a point-based system (PBS), with a score related to educational attainment, experience and language abilities, implemented in Australia, Canada and New Zealand (but not in the United States, the current major winner in the battle for brains). In Europe, this system is now being gradually introduced only in Switzerland and the UK, and is seriously being considered in Germany and the Netherlands, but is not considered in recently large-scale low-skilled immigration countries such as Italy and Spain, where governments are debating how to formulate a suitable skill-selective method for immigration.

Finally, the authors note that brain drain has usually been considered a detrimental phenomenon for origin countries, especially for developing ones, but this is not necessarily so. There are several indirect and feedback channels through which sending countries can benefit from their skilled diaspora networks, including substantial remittances, human capital investment, improving the governance and investment climate, creating domestic networks that allow for quality interactions with expatriate networks and possibly return migration. But this also depends on certain home-country characteristics (their demographic size, their economic and institutional development, the quality of their political and educational institutions and so on). In terms of human capital formation, the authors consider that the brain drain becomes detrimental when its rate exceeds a certain threshold that they assess at around 20 per cent, or up to 35 per cent if account is taken of feedback effects in terms of technology diffusion, better institutions, screening-selection of skilled migrants, remittances and induced trade and foreign direct investment (FDI).

The book deals with a topical issue and contains useful insights for policy-makers and the social partners into facts and policies that contribute to maximizing the benefits of international mobility of high skills in advanced and emerging economies.

### Ulrich Mückenberger

*Lebensqualität durch Zeitpolitik: Wie Zeitkonflikte gelöst werden können* [Quality of life through time policy: How time conflicts can be resolved], edition sigma: Berlin, 2012; 299 pp.: 9783836087421

**Reviewed by:** Peter Beier, PhD, former principal advisor at the Chamber of Employees/Bremen

The title of the new book by Ulrich Mückenberger, who has studied the use of time for many years, constitutes a programme: for Mückenberger the question is not the familiar one of time management, in the sense of efficiency achieved through perfect timing, but rather one of perceiving how the time factor shapes our everyday lives and life courses, as well as corresponding societal compacts and legal provisions that regulate and safeguard how we dispose of time, as a basis of the quality of life.

The availability of time as a resource is unequally distributed, however, and partly determined by conflicting interests. Thus time conflicts arise that need to be resolved. For Mückenberger it is especially important that all those affected by a particular time conflict, whether directly *or* indirectly, should participate in finding a solution; in other words, that stakeholder interests have a say. The fact that consensual solutions can be arrived at in this way will surprise many who assume that any 'solution' of time conflicts is always to the detriment of at least one of the parties.

The basis of the present publication is the investigation of a series of projects on time conflicts in the service sector. Due to the close personal tie between service provider and customer – the *uno-actu* principle (which means that the production and consumption of the service coincide) – and to some extent because of the personal character of service provision itself a relationship of reciprocity arises: the solution of time conflicts thus is of direct importance for the life situations of all those concerned.

Three projects were chosen from the area of child care/day care (each of which has different sets of problems), as well as three projects in the service sector (department store, in-firm health insurance, citizens' service centre). All the projects have been running for several years and thus are suitable for evaluation.

In order to evaluate them qualitatively, asking under what conditions and in what circumstances particular measures were successful, five hypotheses are applied:

- (i) The more motivated the service provider, the higher the quality of the service and thus its utility for the quality of life of the user.
- (ii) Participatory conflict resolution increases the quality of life of the service partners.
- (iii) The importance of the stakeholders increases with the intensity of the relationship between service provider and user.
- (iv) Differentiated and thus efficient participation on the part of the stakeholders boosts the quality of life of all those involved in the process.
- (v) Taking into account time-policy options widens the perception of the interests of others involved (reciprocity) and thus increases the chances of a win-win situation emerging.

The specific time-policy approach taken in these investigations is already clear from this. Instead of the traditional fixation on the conflict of interests between employer and employee, which is pivotal to many regulations on working time policy, the focus here is on a complex constellation of interests. Nevertheless, the individual analyses show that naturally the working time component also remains relevant, and thus that it is seldom a matter of 'either/or', but rather of 'both/and'. The appeal of this investigation is that it does not simply replace an old model with a new one, but extends the existing model and thus seeks to open up a realistic perspective.

The investigation of the projects takes place in two phases, in which the participants (in other words, also the stakeholders) are questioned within the framework of expert interviews and group discussions, initially about the regulations applicable to the project (participation and reciprocity) which are relevant to time-policy classification and then on the effects on their quality of life (including an evaluation of whether and to what extent stakeholders are aware of and take into account the time 'stakes' of their counterparts).

The results concerning the individual cases cannot be presented here in detail. The summary is clear, however: 'Time policy is possible under particular conditions.' Over and above this general assertion naturally the 'particular conditions' are interesting, as they are termed in the design of the study.

According to Mückenberger, reciprocity emerges as the key category, in other words, the mutual willingness of those involved in the provision of the service to acknowledge and respect the interests of the other and to take them into account in seeking a solution to the time conflict. (Since the *uno-actu* principle [see above] plays a major role in this it would thus be of interest to see what such constellations might look like if a service, as is increasingly the case and used by more and more people, is provided on the internet.)

The principle of reciprocity – and this is the second important insight – thus only obtains truly comprehensive formative power and regulatory competence when all possible participants in the provision and use of the service help to shape the resolution of the conflict on an equal footing (the stakeholder principle). In that case, win-win solutions are possible, as the example of the citizens' service centre (CSC) shows. After a reorganization of the CSC there was a dispute between management and employees' representatives as to whether or not the CSC should provide a four hours' Saturday morning opening. A three-party mediation procedure – involving management, employees' and users' representatives – took place in which all parties could present their time 'stakes' and in which the mediator tried to find a solution meeting all the desires of those involved. The solution was: four hours' opening on Saturday morning, but only for those employees working on Saturday who agreed with this time schedule. This solution gained unanimous support from all three parties and was implemented without further friction.

The new opening hours on Saturday are thus a success story because, on one hand, all possible user groups (including citizens from other *Länder* (federal states)) were involved in the process; and on the other hand, the participation of employees and their interest representation ensured that working on Saturday was voluntary and that the various interests of the employees were sufficiently taken into account.

This example also best illustrates how new perspectives emerge when the traditional form of interest reconciliation between employers and employees – familiar from working time models characteristic of the industrial society – are extended to encompass competent handling of a complex constellation of interests, characterized by diverse constellations of civil society actors. To that extent Mückenberger's investigation also makes an important contribution to a possible extension of trade union scope of action and its importance for society.

When Mückenberger thus in his final evaluation of the investigation talks of a 'new multipolar participation regime for the service society' it is clear that looking at certain societal conflicts and problems in terms of time policy and the time-policy perspectives developed on this basis can make an important contribution to a new understanding of participatory democracy.

*Translation from the German by James Patterson*