All in it Together? The Unlikely Rebirth of Covid Corporatism

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Abstract
The battle to soften the labour market impact of the pandemic has thrown up some unlikely bedfellows, with trade union leaders competing with business chiefs over who can most fulsomely praise the government’s economic response. But does this entente really presage a new era of ‘Covid-corporatism’? Crises like Covid-19 can provide opportunities for temporary social pacts, even in countries lacking the labour market institutions needed to sustain these in normal times, and the ‘social partners’ have shown an unusual willingness to be bold and constructive. But cracks are already appearing over how and when the state should begin its withdrawal from the economy. Unions face structural weaknesses and recruitment problems that will hamper their ability to take full advantage of what will likely prove to be only a temporary lull in hostilities.

Keywords: Covid-19, corporatism, social partnership, varieties of capitalism, stakeholder capitalism

Following the 2019 general election, few would have anticipated a Conservative government stuffed with Brexiteers pursuing fiscal activism on a gargantuan scale, instituting an economy-wide wage subsidy and openly contemplating rescuing, and possibly even nationalising, large swathes of the private sector.

Yet, this is what the government is doing, and both the Confederation of British Industry (CBI) and Trades Union Congress (TUC) are united in backing it to the hilt. At the company level, firms and their workers have been cooperating amidst the pandemic on adjustments to employment patterns, wage freezes and arrangements for social distancing at work. Such an entente between the state and what used to be known as the ‘social partners’ has proven as surprising as it is welcome. The UK economy faces an unprecedented growth and employment crisis, and both sides—employers and organised labour—have a part to play in assisting the government in managing the economic transition to a socially distanced future.

Of course, the UK is not alone in this. Such concertation between the main labour market actors is happening all over Europe as governments attempt to build consensus around the draconian actions needed to protect public health and their economies. In Belgium, collective labour agreements dealing with suspensions of work contracts have been agreed and business and unions have issued joint statements on social distancing. Danish union and business groups have led the way in negotiating wage compensation and job preservation schemes with the government. Germany has revamped its successful financial crisis-era short-time working scheme in conjunction with unions and employers.

But the UK case is interesting because it is so unusual. Although more than 6.5 million workers are members of trade unions here—which is a higher proportion (density) of the workforce than Germany—private sector unions play little role in either sectoral bargaining or economic and social policy making, as German unions do. Conservative Prime Ministers in particular have generally regarded unions as an irrelevance at best (John Major, David Cameron, Theresa May), or a dangerous enemy at worst (Margaret Thatcher). Business, for its part, is too weakly organised to act as a reliable bargaining partner for organised labour, even if it wanted to, and has anyway tended to be
regarded by recent Conservative governments as just one lobby group among many.

For various reasons, UK industrial relations have tended to be more conflictual than on the Continent. Strikes may have declined precipitously since their 1979 peak, when almost 30 million working days were lost to industrial action, but this is usually attributed to the unions’ weakness, rather than a desire for cooperation.

This makes the newly collaborative atmosphere all the more noteworthy. But will it last? The pandemic certainly creates a rationale for some form of social partnership to help manage the economic and labour market impact of the shutdown and its aftermath. It has also exposed shortcomings of the UK’s economic model that leaves parts of society exposed to labour market precarity which has been exacerbated by the disruption of Covid. Further down the track lie other, even more intractable, problems, such as the productivity crisis and the need to decarbonise large parts of the economy, that require cooperation, not conflict, to solve them. All sides—labour, business and the government—have more to gain than to lose at the moment from partnering up.

But even where there could be a will, there is not necessarily a way. This article examines the current climate for cooperation between business, labour and the state. It looks back at previous phases of tripartism and explores structural fissures in UK industrial relations that brought this down. It concludes with the observation that unions’ weakness means any outbreak of social partnership, while welcome, will be very much on employers’ terms.

The unlikely rise of Covid-corporatism?

The boldness of the government’s economic and labour market response to Covid has drawn fulsome praise and surprisingly warm words. Frances O’Grady, the TUC’s General Secretary has praised the Conservative Chancellor, Rishi Sunak, as ‘smart, intelligent and someone who listens’. CBI Director General, Carolyn Fairbairn, has talked of labour and business working in partnership to deal with the immense challenges of the pandemic. Fairbairn has repeatedly highlighted the importance of building ‘consensus’ behind any restart approach and often references the CBI’s work with a range of stakeholders, including the TUC.

The mutual admiration has been accompanied by joint action. Early pressure by unions and employers forced the government to act to switch manufacturing capacity over to making ventilators. The CBI and TUC have coordinated messaging on the economic response and are cooperating over rules on lifting lockdown. Both assisted the Treasury on designing and implementing the Job Retention Scheme and cooperated on workplace conditions, with the Health and Safety Executive, CBI and TUC issuing joint calls on safety and social distancing. Where cracks have begun to appear in the otherwise united front, for example, over resistance by teaching and transport unions to opening up schools and public transport, the CBI and TUC have gone out of their way not to fan the flames.

Why now? In one sense, the reason is obvious. The country is facing economic turmoil and the interests of businesses, trade unions, and government are clearly aligned in avoiding depression and mass unemployment. All want to see companies and jobs preserved, or at least for time to be bought to get as many viable businesses as possible through lockdown. Covid is much more severe than the financial crisis, when unions and the left were highly critical of moves to bail out banks while leaving most of the non-financial economy to take its chances. The crisis this time is a symmetric shock affecting virtually the entire economy. The startling capacity of the virus for economic destruction was always likely to produce a strong policy response. Nevertheless, the gigantic levels of public spending and close focus on job and income preservation have given unions and business little to complain about so far.

And there is more to come. ‘Project Birch’, currently under discussion at the Treasury, could see the government take stakes in ailing but important businesses. Strings may be attached to some of these bailouts, for example, to force airlines or aircraft manufacturers to internalise some of the social costs of the pollution created by their products. Action on tax avoidance and protection of ‘strategic’
sectors against hostile takeovers are also on the horizon (especially if the threat emanates from China). These are all things the TUC has championed for years and unions can, presumably, scarcely believe that they are on the threshold of being enacted by a Conservative government. Yet business also heavily backs the stimulus package. The enthusiasm of the CBI, often derided by Margaret Thatcher as even more of a corporatist dinosaur than the TUC, is predictable. But there has been little dissent either from the more decentralised British Chambers of Commerce or the more pro-market Institute for Directors.

**More room for social partnership?**

Could the terrain for social partnership, therefore, be shifting in its favour? For trade unions, which are seeing membership ticking up again after decades of decline, there is a lot to play for. The scale of state intervention in the economy is creating new opportunities for unions to make themselves useful. The TUC has called for a tripartite recovery council to embed consultation of social partners in devising post-Covid reconstruction measures. While it won’t necessarily get this, there are signs that the government will make job preservation and creation a priority. The need for the Conservatives to retain ‘red wall’ constituencies in the Midlands and north of England won unexpectedly from Labour at the last election may herald a fresh impetus behind a more long-term, patient style of capitalism placing less emphasis on advancing the interests of stakeholders such as workers and the wider community. While many on the left would like to take this a lot further, with shared ownership and workers companies. This chimes with what some trade unions and the more thoughtful sections of business have been saying for some time. There are tentative signs that attitudes toward social partnership may be changing among at least some businesses in favour of a less adversarial climate for labour relations. Since the financial crisis, an increasingly prevalent view has taken hold in many parts of the City and business that the Friedmanite doctrine of ‘shareholder primacy’ represents a mutant form of capitalism that is responsible for excessive corporate short-termism, manifested in high executive pay, low investment, and disregard for communities and the environment.2

Work done by the Big Innovation Centre and Professor Colin Mayer’s British Academy project on the ‘future of the corporation’ has suggested rewiring capitalism in order to widen the range of incentives facing company managers beyond the narrowly financial obligation of increasing returns to shareholdings.3 Instead of advancing the private interests of owners, company bosses would be obliged to reconceptualise their firms around societal goals and incorporate the interests of suppliers, customers and employees in their strategies by adopting a clear ‘purpose’ for their business. The ‘purposeful company’ was all the rage at Davos earlier this year, and many businesses have trumpeted their purpose agendas during Covid.

Pressure on companies to look after their staff better and do good may also come from their owners. Mutual and pension funds now build detailed environmental, social, and governance (ESG) assessments into their decision making and expect the companies they invest in to explain how they will meet those goals. ESG-focussed investment funds now account for a fifth of the investment market and investors in them can expect financial performance that is on a par with, or better, than other funds.

The shock of Covid could, in theory, build impetus behind a more long-term, patient style of capitalism placing less emphasis on delivering shareholder value and more on advancing the interests of stakeholders such as workers and the wider community. While many on the left would like to take this a lot further, with shared ownership and workers.
on company boards, it could nevertheless signal a less adversarial style of industrial relations from companies which provides new niches for trade unions.

Meanwhile, at the macropolitical level, a government cleaving to an earthier, more ‘blue-collar’ style of Conservatism and wrestling with the labour market challenges presented by a socially distanced workplace, could find a rationale for involving unions more in policy making than in the past, for example, in helping to administer the ‘apprenticeships for all young people’ pledge made recently by Boris Johnson. The TUC has often proven to be an effective interlocutor for employers as well as governments of either party. It has regularly argued for unfashionable policies that later become mainstream, such as industrial policy and a national minimum wage. The TUC and CBI often see eye to eye on the major economic issues and both came together during the financial crisis to urge the government to intervene more in the non-financial economy. The Brexit referendum and its messy aftermath saw an unprecedented alliance of worker and employer groups campaigning against leaving the EU.

**Neocorporatism in postwar economies**

How far might all this go? In answering this question, it’s useful to be reminded of earlier periods of cooperation between unions, business, and the state, and how this panned out. Political economists developed the term ‘neocorporatism’ in the 1970s to describe institutionalised labour market coordination and policy concertation. The goals of neocorporatism have generally included macroeconomic demand management through negotiated wage restraint, as well as more generalised cooperation over labour market and welfare issues.

Lucio Baccaro distinguishes between classic neocorporatism as a particular structure of interest representation on one hand, and ‘concertation’ or ‘social partnership’ as a particular policy-making process on the other. The former, theorised by Philippe Schmitter, focusses on the organisational characteristics of the interest representation system and is possibly more exacting, in that it requires monopolistic, centralised and internally non-democratic social partners. The latter, associated with the work of Gerhard Lehmbruch, is an institutionalised but altogether looser pattern of negotiated policy formation in which large interest organisations cooperate with each other and the state over a range of policy objectives.

Arguably, though, the UK better exemplifies a third type. This is Hugh Compston’s concept of ‘political trade unionism’ in which trade unions participate, along with business, directly in macroeconomic policy making. Indeed, on this measure, the UK was briefly the most neocorporatist country in Europe during the mid-1970s. This was during the time of statutory incomes policies under the ‘Social Contract’, when both Labour and Conservative governments entertained business and trade union leaders in Number Ten for beer and sandwiches in a doomed attempt to manage the economy centrally and control inflation through negotiated wage restraint.

However, this phase was basically restricted to a period between 1962—when the National Economic Development Council (NEDC) was set up by Conservative Prime Minister, Harold MacMillan, to provide a forum to coordinate economic planning—and 1979 when the Social Contract was abandoned by the incoming Thatcher government, although the NEDC somehow limped on until 1992. Arguably, the Social Contract had fallen apart long before Labour was ejected from power in 1979—retail price inflation had, after all, averaged 14 per cent between 1972 and 1978 despite the supposedly rigid incomes policy—and Thatcher made short work of what remained.

Why was the UK experience so unsuccessful? Returning to Schmitter’s definition, neocorporatism requires a relatively rare set of conditions which the UK appears simply not to possess. These include: a cooperative and cohesive labour movement; the presence of state institutions for tripartite management; the institutionalisation of working class power within unions; unions that are sufficiently centralised to ensure discipline; and adequate elite influence to ensure rank and file compliance with agreed polices. In the absence of these features, while UK unions were capable of reaching neocorporatist
deals with government they lacked the internal discipline to make them stick.

The UK’s problem, according to Colin Crouch, lies in its industrial relations structure of competitive, craft-based unions reluctant to cooperate even with each other, let alone business or the state. To the New Right, this self-evidently chaotic structure was highly inflationary and undermined industrial peace. Thatcher therefore made it one of her main goals—achieved through five anti-trade union Acts of Parliament—to decollectivise wage bargaining and remove unions as veto players over economic reform.8

Additionally, the structure of UK capitalism arguably offers few institutional niches for unions and produces a generally hostile environment for neocorporatism and social partnership. In a ‘liberal market economy’ (LME) such as the UK, strong trade unions are an encumbrance, as they bid up wages and inhibit rapid company restructuring without offering any of the cooperative benefits accruing to their counterparts in the coordinated market economies (CMEs) of Germany and the Nordics. Policy makers in LMEs therefore assume that unions will produce wage rigidity and holdup problems in an economy which requires flexible, switchable assets so firms can exploit rapidly changing market opportunities. The move to place monetary policy in the hands of independent central banks has also destroyed a large part of the rationale for neocorporatism, as control of inflation no longer requires reaching deals on wage restraint with trade unions. Governments of both right and left will therefore tend to side with employers to push for deregulated labour markets.9

If this sounds deterministic it is worth remembering that Labour Prime Minister, Tony Blair, despite his 179 seat first term majority won in 1997, made few attempts to revive social partnership. This was despite determined lobbying by the TUC, which published a stream of policy documents at the end of the 1990s extolling the productivity benefits for employers of engaging with unions. Trade unions under Blair did get a national minimum wage (to be bargained through a genuinely new tripartite structure, the Low Pay Commission, created for the purpose) as well as, for the first time, a statutory route to union recognition and accession to the European Social Chapter. But these were arguably limited pickings from a long-awaited Labour government with a vast electoral mandate.

What about Lehmbruch’s definition of neocorporatism as policy concertation? Baccaro suggests that this form of neocorporatism is compatible with a much wider range of institutional structures.10 Economic crises can be a catalyst for the emergence of social partnership in countries lacking the labour market structures and systems of interest representation usually required to sustain it. This could potentially hold lessons for the UK.

Ireland, for example, is normally bracketed with the UK as a LME as its mostly service sector economy lacks strong, coordinated trade unions, or much previous tradition of successful social concertation. Yet, Ireland’s economic crisis of the 1980s produced, not a Thatcherite assault on collectivism, but a ‘Programme for National Recovery’ to oversee sweeping economic reform, including pay restraint. Social partnership emerged again following the financial crisis as Ireland implemented unpopular welfare and public spending cuts. Ironically, Ireland’s status as the poster-child of successful EU-imposed austerity owes much to the efforts of trade unions which were bitterly critical of it. Although opposed to the austerity programme of the EU, ECB and IMF ‘troika’, Irish unions chose to eschew, for example, the strategy of protest and class conflict seen in Greece, as they judged from their earlier experience with social partnership that they had more to gain by shaping the process of adjustment as an insider.11

Italy is another example. Italian unions are stronger than Irish or UK unions but equally fragmented at the peak level which is, if anything, even more of a recipe for instability. Here, the crisis consisted of a combination of an endemically uncompetitive economy, coupled with a need for budgetary restraint and low inflation during the 1990s in order to prepare the country for entry into the European single currency. A series of social pacts were negotiated whereby job creation was exchanged for pension reform and the abandonment of rigid structures for pay-setting.
Italy duly qualified for the single currency, although this has proven to be a rather mixed blessing and, revealingly, the pacts have not endured.

The Irish and Italian cases demonstrate what ‘weak’ and/or overburdened states may have to gain by involving social partners in times of crisis when they can ill-afford social or industrial relations distractions. Generally, UK governments since the late 1970s have assumed they can implement their chosen policies without the close involvement of business or unions and have therefore shown little interest in social partnership. But with Covid, the government, and Treasury especially, have been astute enough to see the value of external input into policy design, as well as presumably the value of some extra political cover if these policies fail.

Reversing the long, slow decline of organised labour?

To what extent are UK trade unions able to take advantage of new opportunities for social partnership represented by the crisis? The signs are not particularly encouraging. Unions face three main problems: long-term decline in membership; their de-institutionalisation in the labour market; and the changing nature of work.

As argued above, unions in LMEs such as the UK enjoy little of the institutional protection available to organised labour in CMEs, which means they have to rely on their industrial muscle instead to induce employers to bargain with them and governments to take notice of their interests. But union membership and bargaining coverage have declined precipitously since the 1970s. Membership of UK trade unions reached a high-water mark of 13.3 million in 1979 at the peak of neocorporatism—around 54 per cent of the workforce. The influence of industry-level bargaining and the wages councils at this time meant that around 85 per cent of the workforce was actually covered by collective pay-setting mechanisms.12

Since then, and in trends mirrored across Europe albeit less severely, union density has fallen to 23 per cent and collective bargaining coverage dropped to about 26 per cent in 2016. Problems in recruitment also mean the average age of union members is rising. In 2015, just 9 per cent of 16–24 year-olds and 19.8 per cent of 25–34 year-olds were union members—a sharp fall from previous years.13 Although the decline in membership has been reversed over the last few years, most of the gains have been in the public sector.

The second problem is to do with power in the workplace and the institutional setting for trade unions. While large groups of public sector workers still have their pay set collectively, private employers have a legal obligation to negotiate only where a trade union has obtained recognition via a statutory procedure. In other words, bargaining is not an enforceable right as it is in many EU countries. As trade unions have lost power, the scope of bargaining has narrowed, and the climate has shifted towards a style of ‘business unionism’ where involvement of trade unions is judged on whether they contribute to improving the productivity of the firm.14

Multi-employer bargaining, which remains the norm in many CMEs and in the UK prior to the 1980s, has largely disappeared from the private sector, although it remains in the public sector. Making social partnership work requires employers to participate. Yet only 13 per cent of employers’ associations take part in collective bargaining.15

In a recent survey of the fortunes of UK unions over the last few decades, Jeremy Waddington identifies four structural elements in trade union decline.16 First is long-term change in the composition of the UK labour market from manufacturing, which has tended to be highly unionised, to services, which is not. Second is a shift in the ownership of enterprises from public to private, often from abroad. Third is an intensification of competition in some sectors, which may have caused managers to view organised labour as a drag on their ability to respond, and fourth is the legal structure within which collective bargaining takes place.

Only the latter of these, the legal environment, is something that could be directly improved by a friendly future Labour government, although many on the left continue to argue for structural economic and industrial relations change to embrace, for
example, continental style ‘stakeholder’ capitalism. Yet, the trend in employment law has all along been deregulation and weakening of the law, Waddington argues. As already detailed, the Conservative government of 1979–1997 enacted five anti-union Acts of Parliament. The principle piece of employment relations legislation introduced by the last Labour government of 1997–2010—the 1999 Employment Relations Act—provided a statutory route to legal recognition, but it had a marginal impact on slowing the rate of fall of union density. Moreover, the Conservatives Employment Act of 2016 continued the assault by further restricting unions’ ability to call strikes. Notwithstanding the recent slight rise in membership, weaker unions make less attractive bargaining partners for employers and the government.

Changing work patterns

A final question mark over prospects for social partnership is the changing nature of work. One reasons for unions’ continued recruitment difficulties outside the public sector is problems they encounter in representing workers in the ‘new’ or ‘gig’ economy of short-term contracts, particularly with technology and service companies. Despite much hype, only a relatively small proportion of workers actually work this way at present. However, this number is set to grow, entailing further possible erosion of workers’ rights and shrunken opportunities for workplace representation in the rest of the labour market.

The so-called ‘new economy’ undermines traditional employer–employee relationships in various ways. There are several facets of this that make it harder for workers to organise. In the ‘sharing economy’ (a good example being the taxi firm Uber) workers compete with each other directly in a parallel labour market rather than via an employer to provide a service. On the other hand, in the ‘platform economy’ (for example, the online task provider, Mechanical Turk) work is brokered to freelancers in an online marketplace for talent which is reorganising activities in traditional industries. In both types of labour market the absence of an obvious bargaining partner for unions in the form of a single employer, as well as the need for workers to compete with each other for contracts, makes traditional notions of social partnership somewhat redundant.

Of course, the new technologies also provide unions with new organising tools, for example Facebook groups for activists and YouTube guides for organisers. New, ‘grass roots’ unions are also springing up, for example, the Independent Workers of Great Britain set up to try to represent gig economy workers. Existing unions are also innovating, and new ways of organising are also emerging. For example, in 2014, the Bakers, Food and Allied Workers Union (BFAWU) launched a campaign targeting fast food giants. The concern was not just low pay, but also the abundant use of zero-hour contracts. As the average age of existing union members was higher than the fast food workers they were trying to organise, the union adjusted its organising strategies to appeal to younger workers and used more flexible branch structures.

Overall, though, the new economy throws a large spanner in the works for traditional union organising and, with it, prospects for a new phase of social partnership.

Conclusion

Covid has clearly led to a thaw in the UK’s often conflictual industrial relations climate, as business, trade unions, and the government pull together to manage the crisis and prepare for the painful transitions that lie ahead. The scale of the economic response being undertaken naturally invites comparison with the previous era of macroeconomic interventionism of the late 1960s and early 1970s, which also had as its cornerstone the close involvement of business and unions. If so, however, then the omens are not encouraging, as the UK’s neocorporatist episode was brief and ended badly. Few people, therefore, expect a return to this level of policy and labour market concertation, no matter how bad the economic situation gets.

A shift to a more cooperative industrial relations climate might, however, still be possible and is something most trade unions and many in government and business would also like to see. Mark Carney, the former Governor of the Bank of England, has warned that a return to the pre-Covid world of shareholder
value maximisation alongside labour market precarity is not viable. There is pressure within business for firms to replace profit maximisation with broader purposes that include building more cooperative labour relations into their business models. However, it is worth noting that this will still be entirely at the behest of company managers, and at no point does the enactment of a purpose agenda respecting workers’ rights appear to require the involvement of trade unions.

In general, there are few signs as yet that any re-regulation of labour markets is on this government’s agenda as a solution to the unemployment crisis. Indeed, the flexibility of the UK labour market is seen by many as responsible for the rapid recovery in employment following the earlier financial crisis (albeit at the cost of a slump in labour productivity growth).

Moves to institutionalise social partnership in the labour market more widely, beyond the ad hoc arrangements we have seen so far, will probably therefore require unions to push the case forcefully for this with government and the more enlightened employers, as well as deft leadership from the TUC. Moreover, without strong, confident trade unions to act as a counterweight, any form of social partnership that emerges from Covid will lack secure foundations, prioritise the needs of employers and is unlikely to endure.

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Notes


