

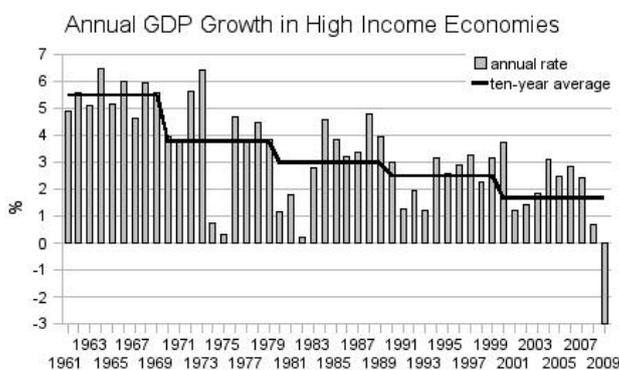
## New challenges for labour as growth prospects fade away

by Cédric Durand

With the current crisis, economies and societies are entering a period of institutional shake up which occurs in initial conditions that are much more disadvantageous to labour than during the crisis of the 1970s. At the same time, a paradigm shift is emerging as growth prospects are fading away in advanced economies. The onset of this dispensation poses serious challenges to the labour movement and progressive political economists; this article attempts to address them and to stimulate debate.

The great contemporary crisis takes place in an environment which is radically different from the great profitability crisis of the 1970s. On the one hand, the post-world war period had allowed labour to build a strong bargaining power position. On the contrary, since the 1980s, neoliberal policies have successfully weakened its position. The combined disciplinary effects of a growing reserve army of labour, new managerial principles of controlled autonomy reinforced by IT, increasingly heterogeneous employment norms, spatial splintering of production and an increased exposure to multidimensional competitive pressures have sapped labour combativeness. Rising inequalities in favour of a thin layer of super rich and the dramatic decrease in the number of strikes are symptomatic of the retreat of labour in rich countries.

On the other hand, the post-war boom appears in retrospect to have been a golden age for capitalist accumulation when, contrastingly the past thirty years represent an age of decline. The average annual growth in high-income economies has fallen from 5.5% in the sixties to merely 1.64% during the first decade of the new century (figure) when the investment rate is slowing, from 25.1% in the seventies down to 20.5% in the 2000s.



« high income OECD » WDI-WB and, for 2009, « Advanced economies » WEO-IMF

The parallel trends of labour retreat and capital decline in advanced economies suggest that what is at stake beyond the crisis is not only the conditions of the recovery, but the shaping of a new socioeconomic path where the promises of unlimited progress in wellbeing through growing mass consumption would not be pertinent anymore. Of course, the dynamics at play in developing countries are different; processes associated with 'catching-up' still allow some important margin for growth. However, focusing on the advanced economies is important to capture this paradigm shift which takes place at two different levels.

First, the world economy is locked in a neoliberal institutional configuration that hinders accumulation. The rise of new industrial countries and liberalization of trade led to structural excess capacity and cut-throat global competition in core industries which is exemplified by the emblematic case of the automotive industry. In addition, the short-term financial returns required by market investors deprive firms from the financial resources required to invest. Finally, depleted labour income and recurrent financial crises tend to depress demand and increase uncertainty, both of which also weaken the incentives to invest. In short, the competition regime, corporate governance structures and demand dynamics together produce a sluggish accumulation regime. Theoretically, significant changes in economic policies allowing a more coordinated and stronger growth path are perfectly feasible. Politically, things are far more complicated: such changes would require a significant shift in the balance of power to the detriment of financial interests and a coordination of government policies at the regional and global levels in order to adjust accumulation paths and limit structural excess capacity.

However, even a significant restructuring of global governance will probably not be sufficient to initiate a new economic boom in advanced countries. First, an ageing population, rising environmental costs and the increasing scarcity of key natural resources are triggering an appreciation of input prices that will constrain growth through reduced profits and/or wages. Second, these economies have not been able to find a successor to the techno-economic paradigm of the 'golden age' that would be compatible with the pursuit of a rapid expansion of capitalism. On the one hand, the promised wave of

expansion associated with innovations in IT collapsed in 2001 and has not since found a way to take off again. This stalling has to do with the specific characteristics of knowledge: there is a deep contradiction between, on the one side, the defence of intellectual property rights in the name of profit which hinders the diffusion of knowledge and, on the other side, the fact that societies need and want to take advantage from the highly beneficial dynamics of knowledge diffusion whose cost is close to zero. On the other hand, the demand associated with social needs is more and more oriented towards services such as healthcare; education and leisure where the prospects for productivity gains are scarce, unlike in manufacturing.

Growth prospects in advanced industrial countries are seriously fading because, on the one hand, of the contradictions of neoliberalism and, on the other hand, of rising inputs costs, the inconsistency of the IT techno-paradigm and the evolution of social needs (and associated demand). Such a diagnosis has tremendous implications for labour, in particular the likely intensification of its antagonism with capital. During the post-war era, many factors contributed to the diffusion of social benefits, from regular wages increases to the reduction of inequalities typical of Fordism. But rapid growth was the necessary condition for – as well as a result of – this configuration, which was relatively favourable to workers. On the contrary, in an era characterised by low growth and by dull prospects as far as the employment rate is concerned, the distributional conflict between wages and profits is getting tougher while the bargaining power of labour has deteriorated. Moreover, in order to escape exhaustion tendencies, over-accumulated capital is exploring further forms of 'accumulation by dispossession', cutting or limiting the public's access to resources, spaces, public services while socializing losses through recurrent bail-outs.

The labour movement needs to reposition itself in order to face these serious challenges. Assessing the possible trajectories out of growth is a new frontier for political economy, appealing for a progressive revival of the issue of the stationary state – i.e. the end of capital accumulation – discussed by the classical economists. In this context, union claims also need to evolve. A massive rollback of inequalities and a broadened access to common goods have to be achieved in order to render fair and acceptable a renouncement to the permanent objective of rising wages combined with a large-scale transformation of employment (destruction of non-sustainable jobs, new jobs in care sectors, reduction of working-time, etc.). Finally, unions, social movements, political parties and NGOs need to enter a phase of substantive re-articulation. Because of the dramatic retreat of shop-floor labour bargaining power, the centrality of class conflict « à la Marx », namely located in the production site, is likely to be further challenged and will not be sufficient to obtain a post-growth economic settlement

favourable to labour. But a greater importance of class conflicts « à la Polanyi », i.e. broader forms of resistance against the macro and social forms of capitalist domination, may help to achieve such a desirable outcome. At the local as well as at the global level, unions need then to engage more systematically in broader alliances with social and political actors to promote effectively labour interests throughout the emergent post-growth paradigm.

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