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GOOD JOBS IN EUROPE

A strategy for inclusive adjustment and growth

Abstract

One of the major challenges for advanced capitalist economies has been rising inequality, which is associated with the declining quantity of good jobs – offering decent middle-class wages, employment stability, economic security, personal autonomy and career opportunities. This paper, which analyses good jobs strategies in Europe against the background of the dual transition and their implications for inequality, consists of four sections. After an identification of the main challenges for European labour markets and a translation of the good jobs strategy into the European context, we will discuss the different European socio-economic models, and conclude with short-term and long-term recommendations.

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1. Introduction

Over the past four decades, labour markets in the advanced capitalist world have undergone dramatic changes. New jobs have emerged in old and new industries, employment security and social protection have fallen in many countries, governments and social partners have reshaped collective bargaining systems and trade union rights, while income inequality has risen sharply on the back of increasing labour market polarisation. Even for those in 'standard' permanent full-time jobs, in relatively regulated labour markets, with stable wages and working conditions, and often protected by collective institutions and organisations – about 60% of the EU workforce – the promise of good jobs (Rodrik and Sabel 2019; Rodrik and Stantcheva 2021), offering decent, stable wages, employment stability, economic security, personal autonomy and career opportunities, is far from certain. For many in the core of the labour market, their employment futures diverge significantly from those that defined most of the post-war era, and which kept inequality in check.

While there is ample debate over the causes of these changes (cf. Azmat, Manning and Van Reenen 2012), a common understanding has emerged about the type and extent of the problem, and some authors have examined the nature of employment and how to escape the 'bad jobs' future by reinvigorating capitalism's ability to produce good jobs (Rodrik & Sabel 2019). Our starting point in this paper is based on the broad diagnosis above; building on debates that have emerged in the US, we examine a Good Jobs strategy for Europe – defined here geographically as the EU and the EEA member states subject to the rules of the Single Market.

Many of the issues we raise below have been part of important European Commission initiatives over the past decade. In a recent review paper to the European institutions (European Commission 2022), the Commission calls for an integrated policy framework, encompassing an extension of the single market (SEM), the dual ('twin') transitions, and the mitigation of their social and welfare consequences. The Commission document also invokes a new era of industrial policy in strategic sectors and tie those policies to the green, digital, and social policies. It also calls for a measured increase of public investment to entice private actors to (co-)finance the green and digital transitions, preferably in a way that makes them socially inclusive by investing in skills and other social adjustment policies. Finally, the European Commission proposes a set of supporting international policies: align trade policy with the transitions, implement budget reforms relying on the funds in the Recovery and Resilience Facility (RRF); and enhance the capital markets and banking unions to free up investment; and an increase in annual investment of €520 billion over ten years (i.e., €5.2 trillion by 2030).

As this review suggests, while the financial side of these policies is developed in tangible and often quantifiable detail, details on labour markets and welfare states remain vague. Most of the detailed attention in the Commission paper goes to policy intentions regarding skills: education and skills in initial training, lifelong and adult learning through the European Skills Agenda, and reskilling and upskilling as a mechanism for the reallocation of labour during and after the digital and green transitions. Other 'social' initiatives are also mainly statements of principle on desired

processes and outcomes (for example, safeguarding social cohesion and developing accompanying measures relying on a series of existing EU policies).

The lack of detail on social aspects of the policies to accompany the dual transitions has deep roots in the EU's policy architecture. As Fritz Scharpf pointed out many decades ago (Scharpf 1999), the single market process, the key driver of European integration, has a built-in bias towards market-conform policies aimed at removing barriers to trade. As a result, the social dimension of the SEM, which requires building new, supranational institutions and rules, has remained underdeveloped – a situation ratified in the sovereignty retained by member states in the areas of labour market and social policies. In sharp contrast to the capital markets and banking unions, the EU has made only minor progress on a 'social and labour' union; in fact, the area is still primarily one where 'negative liberty' prevails – the freedom of unhindered movement of labour – and, with a few (important) exceptions such as pension portability and EU-wide access to health care – less an integrated governance regime.

But to some extent this imbalance between the financial and social sides of the challenge also reflects the paper's (and its authors') inability to understand the fundamental trade-offs in the single market. While the SEM has undeniably been a success, some of the problems that the paper identifies are a direct result of the deepening European economic integration since the early 1990s – pushed forward by globalisation, political and institutional shifts, policy borrowing – a point forcefully made by then EU Commission president Jacques Delors when advocating for the social dimension of the single market in the late 1980s and early 1990s. The more successful the SEM has been, the more it has produced, as an unintended and often unacknowledged by-product, conditions for inequalities and other social problems to increase. Deregulation in product and labour markets, a direct consequence of the SEM process and the ECJ's interpretation, has contributed to deepening income inequalities (Moses 2021). Competition may have brought down many prices for goods and services associated with middle-class consumption in sectors like travel, telecommunication and even imported food and wine; for a large, growing group of lower-income EU citizens, however, with a very different basic basket of goods and services, this has not been the case – to wit growing food, housing and energy poverty in the EU (European Commission *et al.* 2021; McKnight and Rucci 2020). Moreover, while economic disparities between EU member states tend to reduce over time, sub-national inter-regional inequalities have grown because of well-documented agglomeration effects associated with continued integration of the European economies, which benefit regions that are already economically stronger (Farole and Rodríguez-Pose 2011). The differences in many aspects of life chances – employment, pensions, income, etc. – between old and new member states remain stark, partly resulting from their place in the international division of labour through an integrated market. All boats may have been lifted, but some were lifted considerably higher than others and as a result of these rising inequalities, the distribution of the positive effects of the SEM has also become more unequal.

We will pragmatically take this situation – the primacy of the single market, the underdeveloped social dimension, and the inevitability of combined national (local) and EU policies as conditions for success – as our starting point in this paper. We will first review the key concepts in the Good Jobs debate, before moving on to a discussion of strategic elements in the European

context. The main point of gravity of this paper is a stylised treatment of the different models of capitalism and labour market governance in Europe, and the different sets of resources they offer actors to develop and implement Good Jobs strategies. In the final section, we will discuss some policy implications of this debate.

2. Good jobs, the green transition, automation and the knowledge economy

Thinking about good jobs in Europe today is impossible without examining the intersection between the evolution of employment and the green transition, the challenges of automation, and the evolving knowledge economy. Put simply, all three processes will have substantial quantitative and qualitative effects on the labour market and have the potential to lead to increases in bad jobs and social inequality – which often become self-reinforcing and therefore hard to correct if left too late. However, the central role of skills and innovation in all three means that proactive labour market policies will be a part of defensive and offensive social mitigation strategies.

2.1. The green transition

While necessary, the green transition is also fraught with social dangers. If pursued without a clear sense of the implications, it risks leaving behind those whose livelihoods – which are a function of their employment and their skills – depend on the most carbon-intensive sectors, such as energy, heavy industry, and manufacturing. In most of the EU this is around 25% of the workforce. Including service jobs that are closely linked to these industries may raise the number to between 30 and 40%.

But the green transition is also important in other sectors beside high value-added (VA) manufacturing, such as high-VA service sectors (Bowen and Hancké 2019; Hancké and Mathei 2022). First, job growth in (new) environmental goods and services sectors (EGSS) has been small and from a low basis: between 2000 and 2016, the number of EGSS jobs rose from 3 million to 4 million, making up less than two per cent of the EU workforce (Bowen & Hancké 2019). In a more expansive approach to green employment – green tasks in existing jobs –new, 'greener', jobs have emerged in services, but mainly replacing existing, 'brown' tasks (Hancké & Mathei 2022). In addition, the shift to net-zero activities will radically change, and often significantly devalue existing human capital, as indicated already by the significant re- and up-skilling requirements in leading industries[1]. Most prospective analyses suggest that the skills needed for the initial new jobs in the low-carbon economy in the sectors that will be hit hardest by the green transition often span several fields in current skill sets – for example, from mechanics to electronics and electrochemistry. And many sectors that rely on deep, highly specific workforce skills today, like the car industry, the relative simplicity of the net-zero alternative such as electric

[1] In Germany alone, about 800,000 jobs in the (wider) automotive industry require additional training (BCG 2021). 500,000 workers will need on-the-job training, another 200,000 have to be re-trained and about 70,000 employees require full-on re-training, leading to requalification and often relocation.

vehicles, will imply lower required skills level for assembly workers, significantly higher skills for others (and probably fewer workers overall). Put differently, the difference between the long-term benefits for all[2] and the sharp short-term costs for as large minority require careful policies to bridge the costs associated with these different time horizons.

2.2. The digital transition

The on-going digital transition has two complementary sets of components with important labour market implications: the organisation and effects of innovation, and the impact of automation on skills.

In a fundamental sense, innovation thrives on inequality. One of the maxims of sociology of science is known as the 'Matthew Effect', paraphrased as 'to those who (already) have, shall be given'. Consequently, accelerating innovation produces high rewards for the few, in stock options and other 'rents', while leaving out those whose direct contribution to the innovation has been minimal. Nowhere has this been clearer, perhaps than in the recent development of Covid-19 vaccines, which benefited Pfizer and Moderna disproportionately, put a heavy burden on the public purse, and led to the mitigated scandal of vaccine shortages in developing countries where millions kept on suffering. While the small biotech start-ups that developed the prototypes of the vaccines may have been the targets for government policies, large pharma was the biggest winner. Innovation also leads to starker regional inequalities through clustering effects: computers and software in Silicon Valley, and biotech in Cambridge, MA and UK. Among the many reasons for success is the closeness of universities and other organisations for S&T, R&D and other, that produce a local high-skill, high-wage labour market for scientists. In sum, without measures to accompany its impact, innovation is likely to lead to many new or increased social inequalities – in income, working conditions, life chances more generally, and influence over important decisions that affect those.

Skills face a very different situation but with similar consequences. The crucial fear that has driven most of the debates on automation over the last decade has been that robots will replace human labour. In a world without institutions, rules and social conventions, that may indeed be the secular impact; but in the real world of European political economies, automation effects are filtered through institutional settings. Formalised workers' participation is one of the defining characteristics of labour markets of the EU's socio-economic model. They influence how technology finds its way into the workplace and mitigate negative employment effects. The labour-exclusive effects of automation therefore very strongly depend on the ability of social actors to influence its deployment ex ante and accompany negative effects to contain them.

[2] Importantly, the net gains primarily exist against the background of a fast and massive deterioration of the environment (exactly what we expect to happen without a green transition), which implies that the net-zero future is, for the moment, perhaps better conceived as a green status quo, based on relative rather than actual net gains. Electric vehicles, for example, are new products but do not constitute a new market in the standard sense of the word: it is a new propelling mechanism for an existing product. Many green initiatives have this characteristic of being market-replacing instead of market-constructing, which helps understand why private investment in this area has been reluctant. Resolving this problem will therefore require active regulatory intervention to significantly shift relative prices by raising penalties on brown and rewards on green investments.

Germany's Industry 4.0 project is a well-known example of this: companies, works councils, trade unions and public actors cooperate to maximise the joint positive economic and social effects. Workers' participation models are therefore powerful tools to make innovation more labour inclusive; but since not all industrial relations systems start from the same place, they need to be contextualised.

Automation also works best when it supports human work instead of competing with it. In fact, there is some, perhaps slightly counterintuitive, evidence that automation is not a zero-sum game in which machines displace jobs, but that skills, institutionalised workers' participation and automation can interact in a virtuous cycle. Countries with strong co-determination institutions have a higher robot density than those with weaker or no workers' participation schemes (Van Overbeke 2021). And some of the leading analysts of automation suggest that the benefits for firms of automation are larger when they complement rather than compete with human skills (Brynjolfsson and McAfee 2014).

If skills are this important in bringing out more of the benefits of automation, then they become a crucial strategic asset, which could be leveraged by labour to bring about negotiated cooperative change. The cooperative *Industrie 4.0* reference in Germany earlier in this section suggests a strong version of that; the local social impact assessments through coalitions of stakeholder are another, more pluralistic version. Bringing in proactive as well as more traditional reactive social mitigation processes will need to take place along the lines of the resources offered by the relevant institutional context. But there is little doubt that it will have to become a central plank for turning the digital (and green) transition(s) into a more socially acceptable process.

2.3. The emerging knowledge economy

Many of the predicted changes in the production of goods and services are characterised by an increase in conceptual tasks for a small (top) group in the labour market, a sharp loss of autonomy and skills in the middle segment, and an increase in hard-to-automate but relatively simple tasks at the bottom of the labour market[3]. The top 10% will do extremely well in such a scenario, while the middle is hollowed out, losing jobs, and forced to accept lower wages because of the de-skilling. The asymmetric distribution of rewards goes well beyond science-based knowledge work. The reward structure in organisations has become such that highly rewarded conceptual work has been concentrated in executive positions, while other members of organisations – from middle management to workers, are expected to execute those. This hierarchical organisational structure reflects the equally hierarchical reward structure, in which a few win massively while many lose out in relative terms.

This 'knowledge economy' is an elitist project, therefore (Unger 2019). The bulk of its financial and emotional rewards accrue to a small number of workers, while jobs for the majority remain mired in old hierarchical ways. This not only sets back individual workers more than it should,

[3] As a rule of thumb, employment shares can be thought of as 10-15% a the top, 60-70% in the middle, and 20-25% at the bottom, with some local variation.

but it is also problematic for the economy since we underutilise the creative and productive potential and unique sources of prosperity in Europe – innovation and skills.

The dual transition, against the background of a looming shift in the contents of work, thus throw up a series of challenges for any good jobs project that are difficult to address with traditional institutional means. Collective bargaining over wages, standardised job classifications, and zero-sum based adversarial industrial relations not only make economic adjustment harder, but it is also unclear to what extent they are means to (help) prepare companies and employees for a more uncertain future. The institutional safeguards that these systems entail remain important but they may need to be rethought to better handle the coming uncertainties and unpredictability of work and the economy. What follows offers a framework for doing just that.

3. 'Good jobs' in Europe

In a series of recent papers, Harvard political economist Dani Rodrik and his colleagues (Rodrik and Sabel 2019; Rodrik and Stantcheva 2021), present a strategy to 'fix capitalism's good jobs problem', focusing on specific policy levers and a reconfiguration of economic governance regimes. Their basic argument sees good jobs driven by firms (i.e., the supply of good jobs is a necessary condition) and their close cooperation with state agencies (e.g., public employment services), which improves companies' productivity and induces them to offer good jobs. In addition to pre-distribution (i.e., education and other endowments that raise wages) and ex post redistribution through taxes and social security, governments can incentivise firms to supply good jobs by directly intervening in the 'productive sphere' of the economy. The suggested intervention combines a mix of active labour market policies (ALMP), industrial and regional adjustment strategies, innovation programmes and international economic policies. The implicit trust between corporate and state actors – the foundation of the envisaged governance regime – is built up in iterative rounds of social bargaining. Eventually, this should lead to a full quid pro quo, i.e., firms offer good jobs in return for government services that enhance their productivity.

Such an abstract, overarching, good jobs strategy invites local adaptation. In the EU that means building on the strength of existing labour market governance regimes and the different forms that they have taken throughout the continent since the Second World War. Social partners play – to varying degrees – an important role in economic governance, ranging from involvement in training, skills production and innovation to wage setting and macro-economic steering. Governments have also played a more direct role in the economy than in other places, through ownership, regulation, and supporting frameworks. While deregulation has permeated all European economies and labour markets, this has happened in different ways and with different effects (Thelen 2014). In short, not only is the EU a concrete political economy with important roles for trade unions and governments; it also harbours within it a variety of different production and labour market regimes. This institutional starting position, which is more substantial than the US example that inspired Rodrik and colleagues, requires a reinterpretation and elaboration of the good jobs strategy, while the variety of capitalist systems in Europe, each with its own comparative advantages and arrangements for labour market governance, suggests that it may take different shapes across European economies.

The basic starting point for such a translation into the EU context is simple. Innovation and skills are the EU's primary 'natural' resources, on which many economies have built their comparative advantage. They are also to a large extent part of the social contract between governments and citizens, often mediated through agreements between social partners. This suggests that the central place of skills, and of the actors involved in their production, opens possibilities for a new labour-inclusive technology-driven growth model. Does Europe have, by virtue of the institutionalisation of the social aspects of the economy, rediscovered a way to economic prosperity and reduce inequality in the EU by retaining and creating good jobs?

What follows sets out four key areas that combine elements from the EU's existing 'growth model' strategy listed earlier, and from Rodrik and Stantcheva's (2021) strategy, and from European settings. We will quickly discuss training – initial education, further training and retraining, and active labour market policies; labour-inclusive forms of innovation; wage-setting in a new setting; and the role of building and institutionalising trust in these processes.

3.1. Skills and training policies

While national and EU-level policies that reward labour-inclusive green and digital initiatives can foster the rise of good jobs, they rarely include such a perspective. Consequently, policy-driven industrial expansion and adjustment often end up with significantly fewer good jobs. Industrial policies, including regional development funding, state aid, tax cuts, subsidies, or other government services, often unfold without clear, direct, links with skills agendas and the creation of good jobs is rarely a condition for funding. In many cases, a latent coalition of stakeholders, with different interests and expertise, exists but can be sidestepped because existing rules rarely give them a formal place in the initial stages of the restructuring process. Regional coalitions of private, public, and civic, actors with evaluation and strategic tools that link labour market developments to regional (industrial) adjustment programmes can help to overcome uncertainties and coordination problems through stakeholder-driven bottom-up development plans.

The increased economic and technological volatility of the dual transition makes imperative an increased emphasis on adaptive skillsets and lifelong learning. Possibly the best way forward, given the intrinsic uncertainty of the dual transition, is to organise continuous education via ALMP for the unemployed or workers at risk of collective redundancy. While organised and possibly funded by public employment services, firms are encouraged to deliver part of the training. For workers in employment, training within their firm could be organised via individual learning accounts, co-financed by workers, firms, and governments. The social costs of the dual transitions can be very high; accompanying measures, such as retraining initiatives and social plans, may be feasible in the case of one-off, individual company reorganizations, as we know from the recent history of industrial restructuring in the EU. But the speed and depth of the dual transition makes the aggregated costs of such post-hoc protective measures prohibitive. Instead of passively allowing the economy to externalise the significant social and human costs of adjustment onto companies, redundant workers, and cash-strapped governments, building employment effects and mitigation strategies into the readjustment processes them-

selves not only will make the transitions socially more acceptable, but also economically more efficient.

3.2. A labour-inclusive approach to innovation and industrial policy

One tool for accomplishing this is a social impact assessment (SIA). A SIA gives all parties involved in restructuring a baseline scenario of adjustment without action and thus makes stakeholders aware of the often very substantial restructuring costs. It also offers actors necessary elements to develop alternatives with lower social and especially economic and social costs. Redundancies not only have a high human cost, but social plans are often net costs for companies and governments, with very few associated gains. The idea behind SIAs is that they would follow local or national rules of information and consultation of workers, with a right for labour representatives and other stakeholders, such as regional governments, to develop and present alternative plans that limit costs. Arbitration can follow if disagreements cannot be resolved. While the benefits of SIAs for workers and unions are very clear, the lower adjustment costs and proactive restructuring will also benefit companies and governments. EU funds could come with such a condition, as one among others, in the search for labour-inclusive alternatives.

To prevent a sharp increase in labour market inequality the SIA could, in principle, cover a large part of the value chain, in effect making core firms co-responsible for jobs and the costs of adjustment among their subcontractors. Mandating SIAs could also significantly enhance (organised) labour's influence over technological developments in EU countries with thinner institutions and make it incumbent upon unions to develop or acquire the relevant expertise, while allowing more corporatist countries to continue and improve their systems.

3.3. Wage setting in the context of a good jobs strategy

Finally, the increased dualization of the workforce in the knowledge economy could find a response here. The knowledge economy risks dividing the world of work (again) between those who conceive products and work, and make decisions, and a large group who execute those decisions, with commensurate lower wages and replacement by software and robots as a result. Yet one of the paradoxes of the knowledge economy is that the strength of a team or process is largely determined not by the 'strongest', but by the 'weakest' link in the chain: team and project management, for example, is effectively a way of freeing up time for creative team leaders, who would otherwise be forced to spend valuable time on what are, from their perspective, peripheral activities. Currently, such crucial contributions go unnoticed (and are categorised as easily replaceable 'administrative' tasks), with lower wages, less favourable working conditions, and less job security. Part of the hollowing out of the income distribution, and the disturbing income inequalities associated with that process, is not much more than this dualization playing out in more jobs, more companies, and more countries over time.

One solution that could mitigate such inequitable developments, and which has been piloted in some industries and proposed by some trade unions, is a form of 'pay for knowledge', which could contribute to a labour-inclusive knowledge economy. The system is relatively simple.

Workers are encouraged to acquire so-called 'redundant' skills beyond the initial definition of the job. These extra skills are among the best guarantees against unpredictable shocks that companies can face (the supply chain crisis associated with Covid-19 has shown the detrimental effects of 'lean', less-resilient organisations). Pay for knowledge, rather than pay for hours in tasks, offers employees consistent incentives to train above their existing jobs, and incentivises workers and employers to continuously invest in more sophisticated skills, technology, and tacit process knowledge. This new combination of input factors imposed by pay for knowledge schemes is likely to increase resilience and team-based productivity.

Wages linked to potential tasks are usually higher, and thus also invite companies and employees to agree monthly (rather than hourly) salaries based on the acquired skills, while social partners and the law guarantee maximum weekly working hours. Pay for knowledge schemes would share many elements with current practises. Most employees in the EU already benefit from monthly pay, and the increasing spread of knowledge work in teams, which can raise the profiles of all tasks in a team would be an opportunity to raise the lower wages to reflect their increased (relative) contribution. The system could relatively easily be latched on to what is currently in existence in the EU: since social partners have experience in collective bargaining arrangements in many European countries, they are in a strong position to include these elements in the future.

3.4. The role of (institutionalised) trust

Good Jobs strategies require local adaptation and implementation. The different institutional starting positions of national economies in the EU constrain initial options for labour market actors, but also suggest ways forward. The way labour markets and socio-economic policy-making work in some north-western EU member states allows a strong role for social partners, while Latin European countries will be more dependent on government interventions, and Central and Eastern Europe might need a new solution (or a combination of both) altogether.

Whatever the configuration, mutual trust between actors is crucial as a guide to cooperative and coordinated problem solving systems. Trust is the expectation that B will not renege on the terms of cooperation when A has committed its resources – that B will do, in other words, what is also in the interest of A once cooperation is concluded. In historically strong, autonomous industrial relations systems, such as the neo-corporatist economies in Northwest Europe, such trust is enshrined in institutions and permanently reinvigorated in practice. Trust needs to be learnt, maintained, and developed, in other words (Behrens and Helfen 2016). If employers, workers, their representatives, and other relevant actors in local/national labour markets can be convinced of discussing a problem with a common vocabulary, this initial (potentially low) level of trust will produce more trust with every further successful interaction.

Rather than imposing a uniform top-down system of labour market cooperation, therefore, our operationalisation of a Good Jobs strategy focuses on incentives for social actors to find shared solutions to common challenges. Substantively relatively narrowly defined action points such as a retraining or a novel lifelong learning scheme, for example, can lay the groundwork for a transition from an unfocused discussion of problems towards a focused deliberation of

potential solutions. This approach, therefore, not only enables a bottom-up implementation of the Good Jobs strategy but also increases trust between labour market actors with every iteration of the negotiations (Sabel 1993).

The next section will develop these ideas on Good Jobs in the context of the EU, by presenting stylised pictures of the main types of capitalism and labour market governance on the continent. After a short description of the underlying logic of each model, we will directly address as many dimensions of a Good Jobs strategy as possible.

4. European models of labour market governance and good jobs

Conceptually, the balance of this paper builds on Hall & Soskice's (2001) Varieties of Capitalism approach (VoC). Like those authors, we direct attention to the linkages between subsystems in capitalist regimes, and the idea that different systems induce firms to specialise in different market segments and industries.

The VoC approach identifies capitalist production regimes, relatively coherent institutional arrangements within which firms pursue their goals of making profit. It starts therefore axiomatically with the firm in the centre of the analysis, treating it as a relational network: the firm, operating in its markets and other aspects of the relevant environment, is institutionally embedded. These institutional frameworks, in turn, are mutually attuned in systemic ways, leading to institutional complementarities, and confer comparative and competitive advantages to countries, which are reinforced through specialisation in rapidly integrating international markets. What emerges, in ideal-typical form, are (at least) two institutional regimes: one where the dominant form of coordination goes through market-based contractual relations (we call these 'liberal market economies' or LMEs) and another which relies on strategic forms of non-market coordination ('coordinated market economies' or CMEs).

Despite its conceptual strengths, this theoretical typology lends itself less to the descriptive empirical treatment that covers Europe along the lines discussed in this paper. For the empirical typology, we therefore pragmatically combine several existing empirical and systematic typologies that have emerged in the comparative capitalism debate since the early 2000s with the theoretical points that underpin VoC (Amable 2003 and Witney 1999 are the main inspiration for this descriptive work). In practical terms, we distinguish here between four clusters of types of capitalism.

In organised market economies (OME), found in countries such as Germany, Belgium, the Netherlands, Austria, Switzerland (and, to some extent, in Slovenia), economic and labour market governance follows an associational model, in which business and employers' associations and trade unions play a leading role, regularly supported by national governments and/or regional authorities. Social partners occupy crucial functions in areas from wage setting to training. Innovation usually incrementally builds on existing competencies, to protect specific investments by owners, workers, and suppliers.

The social-democratic market economies (SDME) in the Nordics share many of the non-market coordination and governance characteristics with OMEs, although, in recent decades, governments have taken a larger active role in economic management, recently through direct interventions in the labour market, including a stronger focus on ALMP.

The mixed market economy model (MME) in Southern Europe finds its clearest expression in France, Spain and Portugal, but Italy also shares some characteristics of this group. Its key feature is a combination of relatively weak social actors – unionisation rates are low, intra-union competition high, and unions have a relatively weak direct influence over national wage setting – who therefore disproportionately rely on a strong central state as a result. Unions are weak because of ideological fragmentation (and stronger in Italy where these ideological divisions are traditionally reconciled more amicably), but also because of their implicit aversion to constructive workplace relations (again, slightly different in Italy). The state therefore fills the gaps in the labour market left by these limitations – usually through the law and courts, but also directly, as owner, financier, and regulator of companies and industries.

The main 'indigenous' economic model in Central Europe is the dependent market economy (DME), primarily found in the Visegrád 4 (V4) countries (Czech Republic, Hungary, Poland, and Slovakia) (Nölke and Vliegenhart 2009). It combines relatively high value-added product market strategies in leading export sectors (including developed training regimes) with occupation-centred labour markets as in the OMEs, but unions, employers, business associations and states are still recovering from the shock of transition and EU accession. Largely dependent on western foreign direct investment (FDI), their socio-economic model mixes policies and institutions from many sides. Multinational companies (MNC), initially mainly German engineering firms, set up factories quickly after 1989 – somewhat disparagingly referred to as 'extended workshops', since they took over assembly (only) from German plants. Wages in these MNCs are higher than elsewhere in the economy, as are skills, but beyond managing this skills-wages nexus, local branches of multinationals have little strategic autonomy. Relatively cooperative industrial relations in the MNCs contrast sharply with the rest of the economy, where social partners are marginalised – despite their formal recognition and the declared general transition trajectory of a social market economy in the German vein. The Baltic states are also dependent on foreign investment but, due to their rapid de-industrialization during their post-communist transition, external capital inflows have led to a debt-fuelled consumption-led growth regime with a stronger focus on (financial and professional) services – rather than to the export-led type of DME as in the V4 group (Bohle 2018). After the decisive move away from communist structures, including weakening trade unions and giving primacy to market-based coordination, a weak form of social dialogue has resurfaced in recent years (Lulle and Reire 2018). The remainder of Central Europe (Bulgaria and Romania) remain relatively poor countries, with a heavy mix of economic policies and opaque governance structures, often plagued by cronyism.

Finally, in liberal market economies – exemplified in Europe by the UK – contracts and markets govern economic exchanges, including the labour market. As a result, unions and industrial relations, writ large, are quite weak, making an institutions-based Good Jobs strategy like the one we propose difficult to envisage. While alternative solutions are imaginable, pure-bred liberal market economies are no longer present in the EU since the UK has exited the Union. Hence,

as the other varieties of capitalism are more relevant in an EU-context, we will focus our attention on those instead. While the Irish model is a close cousin of LMEs, unions played a rather important role in macro-economic and labour market governance for several decades, although the decentralised and deregulated employment relationship means that the macro-corporatist structures remain fragile, even after over thirty years of social partnership. An institutional approach to an Irish Good Jobs strategy will therefore have to build on the thin existing industrial relations framework.

The three sections below, covering the four main types of capitalism found in the EU, are organised along the same lines. After a short analysis of the logic of the model of capitalism, we investigate the problems these groups face in their quest to produce good jobs. Through an exploration of skills production and innovation systems, we will also address the pressures the dual transition implies for Good Jobs strategies.

4.1. Organised market economies and social-democratic market economies

The continental organised market economy (OME) is characterised by a combination of strong associational governance through trade unions and employers, and targeted welfare and educational arrangements. Germany, the Netherlands, Belgium, Austria, Switzerland and, to some extent, Slovenia are the main proponents of this type. The coordinated nature of the labour market in OMEs is reflected in a primacy of autonomous collective wage bargaining systems, which have traditionally aimed to carefully balance the need for profitability and competitiveness, high (and rising) living standards, strong institutional employment protection, job creation, and the macroeconomic stability effects. The search for productivity and for high value-added product market segments is a critical element of this model since it allows all these – usually conflicting – demands on the system to be reconciled – hence also the importance of skills and the training system.

The Nordic social-democratic model (SDME) – primarily found in Denmark, Sweden, and Finland – is a close cousin of OMEs. Coordinated wage bargaining between autonomous wage-setters remains important, especially when compared with LMEs. However, over the past 25 years governments have started to play a larger de facto role in the economy and the labour market, first through the more restrictive policies of independent central banks and fiscal authorities, and lately through direct interventions in the labour market, including a stronger focus on ALMP.

While the regimes follow slightly different trajectories, they are united by an underlying institutional architecture. Particularly in comparison to the rest of Europe, these systems stand out because of their high level of institutionalised trust – a product of iterative bargaining – between firms, workers, their representatives, and, in some cases, governments. This institutional framework allows labour market actors to overcome collective action problems through negotiations, often leading to positive-sum outcomes. While the public good nature of industrial labour relations in OMEs and SDMEs does not assure that all outcomes are necessarily socially

optimal, it provides a powerful background framework for a collectively defined and agreed good jobs strategy.

Good Jobs evolution and challenges in OMEs and SDMEs

The emphasis on skills and occupations as the key elements of the labour market in OMEs helps understand the large role of professional and trade associations in labour and product markets, and the existence of an education system that produces deep industry- and technology-specific skills. The latter usually takes place in a dual system that involves both school-based theoretical and shopfloor-based practical vocational and technical training. In the SDMEs education is important for the general population, but technical training for workers has never been as central as it is in OMEs. Product market strategies in the SDMEs have therefore consistently been slightly below the market segments where OME-based companies compete – Volvo as a high-end mass-producer, while BMW or Mercedes are examples of the luxury segment based on 'diversified quality production'.

However, the focus on (occupation-specific) skills in combination with strong representation by trade unions for labour market insiders produces a high risk of dualisation. The core of the labour market – with stable employment, high wages, decent working conditions and workers' participation and representation – still makes up the majority of the workforce in OMEs and SDMEs (Schulze Buschoff 2015). However, the heavy emphasis on specific skills in OMEs – especially on the medium, secondary skill level – creates a hierarchical distinction between workers who went through the training system and the ones who did not. These outsiders occupy the periphery of the labour market, facing lower wages, sometimes precarious working times and conditions, lower levels of representation and flexible (e.g., temporary, part-time or marginal) employment contracts. To protect the investment in specific skills – i.e., to compensate workers for putting themselves at risk of unemployment due to their deep but not very portable skill set – the employment protection legislation in OMEs makes dismissals considerably more costly than elsewhere. Hence, since firms have started to look for more numerical flexibility to adapt to cyclical shocks, atypical employment has been on the rise in these countries. Coinciding with the rise in non-standard work, the share of the German population with medium income has decreased from 70% in 1995 to 64% in 2018, although the situation has remained fairly stable since 2005; in Austria, on the contrary, the middle-income population share increased over the same period (OECD 2021, p.12).

Whereas the links between welfare, education and the labour market are clear in OMEs (where they are mechanisms to protect income and skills), universal welfare rights in the SDMEs are quasi-constitutional arrangements without a direct functional link to the rest of the economy. Because social services were traditionally not directly linked to the status of employees, they have successfully underpinned the Nordic flexicurity approach, which – in its stylised form that is most apparent in Denmark – combines a highly flexible labour market and a strong social safety net with long and generous unemployment benefits and active labour market policies (ALMP) to foster labour market adjustment and employability (Madsen 2004). Good jobs in the core of the labour market are defined in the same way as in OMEs: suitable working conditions and high (and rising) wages, which support a decent standard of living. The main difference lies in the interpretation of employment stability. Whereas in OMEs stable employment is usually

defined as workers remaining in their jobs, the Nordic regime focuses on the employability of workers – their chances of finding decent work even if that implies multiple job changes over the course of a career. Hence, because all jobs have a significant temporary component, firms in SDMEs should nominally face fewer incentives than in the rest of Europe to hire workers on a fixed-term rather than open-ended contract.

Nevertheless, around 30% of Nordic workers are in non-standard employment, and although this overarching figure has remained fairly stable since 2000, there is significant sectoral variation (Ilsøe and Larsen 2021). Furthermore, unions in some Nordic countries, for instance in Sweden, had to accept a relaxation of employment protection legislation for temporary contracts – i.e., in the periphery of the labour market – to protect their core members (Berglund et al. 2020). While the Swedish wage bargaining system still secures strong growth in highly-qualified and well-paid occupations, it does not push out bad jobs in the lowest-paid quintile and replace them with better jobs. The latter seems to work primarily for the income group above (i.e., the second-lowest paid quintile). Consequently, between 1980 and the mid-2010s, the share of people in the middle-income class[4] declined in all Nordic countries, except Denmark, between -1.5% in Norway and -7.4% in Sweden (OECD 2019).

The dual transition and skills: Threat, or opportunity to create good jobs?

Despite recent centrifugal pressures in the labour market and a decline in the share of middle-income workers, the majority of employees in OMEs and SDMEs has remained solidly anchored in the core labour market (Schulze Buschoff 2015). Yet, that might be about to change, because the simultaneous green and digital transitions necessitate rapid and wide-scale industrial adjustment, putting further pressure on an already hollowing-out middle class. In particular, employers will (have to) change a significant share of their products and/or production technologies, which means that current employees' skills might become obsolete very quickly. The innate conservatism associated with its occupational focus makes the OME model both hard to adapt to shocks and excellent between them – which means that the systems might be in for a series of hard surprises, perhaps only alleviated by the fact that social partners and governments see solving the problem as a joint endeavour. In SDMEs, the stronger focus on workforce adaptability increases the chances of coping better with these new pressures, the challenges remain significant – albeit slightly less so than in OMEs.

Firstly, skills shortages are already an issue across Europe, but the green and digital dual transition presents the ultimate test for training systems. Not only will they have to produce more skilled workers to address already existing deficiencies, but they will also need to equip them with the right future-proof skills – i.e., the ones that enable employees to deal with updated product ranges and production technologies. However, there is another major challenge: skills forecasting – a crucial element for every training system and in OMEs and SDMEs usually guided by social partners – becomes much more complicated due to the volatile technological environment that the transition creates.

[4] Note: The OECD defines 'middle income' households as those with income between 75% and 200% of the national median.

Secondly, and even more importantly, the increased volatility in skills demand fundamentally questions the logic of deep and narrow, specific skills. OMEs, in particular, still focus to a large extent on the production of occupation-specific skills with very deep, job-specific knowledge. While the vocational education regime in the Nordics has a similar origin, these countries already shifted towards more portable general skills. The future of work will be guided by an increasing use of advanced machines and software solutions. Training systems must therefore (partly) adjust their objectives to include helping workers becoming more resilient by designing new job profiles. The combination of several (redundant) specific skillsets with tacit process knowledge in one apprenticeship – mechatronics uniting mechanical, electronic and electrical engineering, for example – assures that shifts in technology will not devalue jobs and/or skills.

Changing training courses, however, is particularly challenging for more rigid and formal VET systems, where training is based on job classifications, which need to be redefined. The content and organisation of new training involves negotiations between all stakeholders, and the slow decision making and implementation processes that this entails, may pose a serious obstacle if the speed of adjustment picks up. Furthermore, while modernising the training system is crucial to prepare future workers for new and continually changing occupational requirements, it does rather little for incumbent employees whose skills are threatened by the industrial shift, nor for those who are currently unemployed or in non-standard employment.

Therefore, we may have to consider more dynamic and/or ad hoc solutions for the skills adjustment in the transition and the good jobs strategy more broadly. In OMEs, the strong employment protection legislation and worker representation on the firm- and industry-level will force firms to internalise much of the social costs of adjustment. Social plans are the main instrument in case of restructuring plans: they will likely include firm-level training, retraining by third parties, or upskilling programmes. In contrast, the flexibility of the labour market in Nordic countries allows firms to fire workers more easily – again, more so in Denmark than in Sweden –, while the strong social safety net protects the unemployed. In both types of labour market governance, larger collective lay-offs will follow a similar negotiated path of social plans agreed between unions, companies (and government). Either way, government-funded retraining and further employment services under ALMP are crucial not only to facilitate industrial adjustment but also to lift non-standard employees back into the core of the labour market. The Nordic countries are already champions in ALMP and both Danish and Swedish governments spend more on active than passive labour market policies (cf. Figure 1 in appendix). In OMEs, on the contrary, the latter still make up the majority of government expenditure on labour market policies although Austria and Belgium, for instance, spend only slightly less on ALMP than Sweden or Finland. Because (re-)training makes up a considerable portion of ALMP, governments – ideally in coordination with social partners – will have to ensure that there is sufficient training available in forward-looking combinations of skills or future-proof occupations. Additionally, precisely because many of the updated skills profiles might not be available in the early stages of the transition, it might make sense for social partners and governments to consider prioritising the establishment of retraining curricula for the occupations that the dual transition threatens the most and in areas where future good jobs growth is most likely.

Stronger emphasis by social partners in OMEs and SDMEs on lifelong training programmes and incentives for employers and workers to use them offers an opportunity to improve the workforce adaptability – in addition to updating their initial VET systems. While some of the required structures for further company-internal training already exist and the proportion of workers in continuous education courses is higher than in most other European countries, take-up rates are still relatively low (Piasna 2017). The cooperative nature of labour relations in both groups of countries makes the introduction of a formalised lifelong training scheme relatively straightforward for relevant actors and the fact that the costs can be shared between employers, workers and governments might create the necessary impulse to increase the share of employees in continuous skills and career development.

No lunch is free, though, as economists never tire to point out, and the same is true here. For OMEs, the move toward more portable and/or redundant specific skills, a stronger emphasis on lifelong learning for workers, and (re-)training under ALMP also implies a move towards the Nordic flexicurity-type system. The latter works well, but not only does this question the relative tightly organised industrial relations arrangements in the OMEs, it also requires a shift in the role of government, with a significant increase in public investment to fund ALMPs and a more generous, universal unemployment benefits system.

A labour-inclusive approach to innovation and industrial policy

The reconfiguration of the initial training system, of retraining programmes for unemployed persons as well as workers at risk of unemployment, and a stronger focus on lifelong learning for current and future employees will help both OMEs and SDMEs to cope with the labour market effects of decarbonisation, digitalisation and automation. But to maintain and increase the number of good jobs continue to exist in the future – and maybe become even better – OMEs and SDMEs in northwest Europe must also think about innovation as a labour-inclusive process, aimed at productivity gains. If machines can take up routine tasks, manufacturing processes as well as services jobs could be reformed with a view to introduce autonomous decision making within small teams to foster flatter hierarchies, project- rather than task-based approaches to work, and matrix-based teams with overlapping as well as complementary capabilities.

As, traditionally, innovation in OMEs and SDMEs is, by and large, incremental in nature – to protect highly specific investments in deep skills and specialised machines – a human-centred green and digital transition, based on existing tasks, seems possible. The human-centred approach is further strengthened by works councils' critical role in industrial restructuring, as management usually has to obtain organised labour's approval before they can implement important strategic restructuring measures. However, as things stand now, unions lack a 'strategic asset' that could support a strong veto position beyond developments affecting their immediate members in the core of the labour market. Hence, it is unclear if the industrial relations set-up can create additional good jobs for workers who are currently in the periphery – in addition to defending the number and quality of core jobs.

The introduction of a mandatory social impact assessment (SIA) in the context of the green and digital transitions – akin to the one we outlined earlier – could extend organised labour's political

power to influence strategic decisions that affect all workers (not just employees with standard contracts) and in all sectors (i.e., also in services sectors where unions are traditionally weaker). Making EU or national/regional government funding conditional on a positive outcome of the SIA – i.e., if the restructuring protects and/or creates good jobs – would force firms (in conjunction with unions) to think creatively about innovation and the requirement to make it more human-centred.

Conclusion

The political economy of the green and digital transitions raises a final set of questions. The dual transition may be necessary – but what is necessary does not always happen. In our complex political-economic systems, collective action problems may hold up the transition. Since the dual transition has a direct short-term impact on (specific) skills of incumbent employees in the OMEs and SDMEs, it is easy to imagine workers and their representatives to be defensive about the upcoming industrial reconfiguration and block or derail the transitions in order to prevent a further hollowing-out of the core labour market. But precisely those veto positions, and the strength of organised actors offer a solution. Following their Nordic neighbours, OMEs could benefit from shifting the focus of their training systems from deep but narrow specific skills to a combination of several specific skillsets with tacit process knowledge. Furthermore, both regimes will have to use company-level and ALMP retraining programmes to help their core workforce adapt to the new technological environment and to lift workers from the labour market periphery back into standard employment. And finally, a strengthened emphasis on lifelong learning will foster the adaptability of incumbent and future workers, enabling them to maintain their good jobs. None of these measures will arrive automatically, but if the Nordics and the OMEs want to avoid a further hollowing-out of their core labour markets, thinking about alternative solutions may be necessary.

4.2. Mixed market economies in southern Europe

The third type of capitalism in Europe (after OMEs and SDMEs) is the Latin mixed-market economy (MME) found in much of the south-west of the continent – France, Italy, Spain, and Portugal. While there is as much variation between (and sometimes within) these countries as between this group and others, they share a few important defining characteristics. Contrary to OMEs and SDMEs where social partners, by and large, lead and the government is in a supporting role, MMEs are characterised by relatively weaker social partners and social dialogue and the state (still) is a central actor in terms of ownership, credit, labour market governance, and formal school-based education. Recently, its role has changed from direct intervention to supporting – usually passively – economic restructuring through the welfare system (Levy 2006). Early retirement and social plans negotiated between companies and the government, often with only a nod to trade unions, are the key instruments in this area.

Because of their numerical and organisational weakness and the high unemployment rate in MMEs, social partners play a remarkably small role in the governance of the labour market. In France, the ministry of labour is the key actor, by extending wage agreements concluded in a small number of companies to the entire sector. While Italy has a vibrant local and company-level social dialogue, national unions play a relatively small role, as they do in Spain and France

(Portugal's Left governments have kept more social dialogue alive since the early 1990s). Labour markets in general are highly law-oriented – again primarily because of the weakness of unions in France and Spain – while industrial relations are quite adversarial. The situation in this regard is much more positive in Italy, where unions remain important and social dialogue exists, especially at the level of the company and the region.

The many faces of Good Jobs in MMEs

The MME model faces several challenges that may require resolution at the same time as a Good Jobs strategy is thought out. The first is to reduce the permanent high unemployment to low levels. Southern Europe has been plagued with stubbornly high rates of joblessness, with relatively little fluctuation over time (except in Spain, with sad highs in the mid-20% and only marginally better lows around 10%). Nuance pays in examining these numbers: contrary to the conventional wisdom on labour markets, unemployment is not just due to high wages (in unit labour cost terms, i.e., adjusting for productivity). French, Spanish, and Italian wages have actually been quite moderate in that respect, almost since the Maastricht process in the early 1990s (Hancké 2012a). Instead, a significant share of unemployment is a consequence of, ironically, an extremely well-performing labour market – productivity rates are very high in France and Spain – which is paired with low growth rates (Hancké 2013). Since unemployment ensues when productivity rates are higher than GDP growth rates (and vice versa, which largely explains the low unemployment rate in the UK, based on low productivity and high credit-based domestic growth). The best policy for unemployment reduction is, therefore, not structural reform of the labour market (usually a euphemism for deregulation) but higher growth rates in all of EMU to allow symmetric adjustment (De Grauwe 2012).

The second (simultaneous) challenge is to avoid a reduction in unemployment simply by growing non-standard employment. Workers with fixed-term contracts have consistently made up between 20% and 25% of the total workforce in Portugal and Spain between the mid-1990s and the mid-2010s and between 10% and 15% in Italy and France, similar to German levels (International Labour Organisation 2016, p. 54). Moreover, while overall MMEs had a lower share of part-time workers in the mid-2010s than, for instance, Austria or Sweden (both with part-time employment affecting more than 30% of the total workforce), in Italy, Spain and Greece more than 60% of the part-time employment was involuntary (ibid). The high levels of (involuntary) atypical employment in Spain coincided with a decline in the middle-income[5] group of -3.7% between 1980 and the mid-2010s, while France witnessed a 3.2% increase in the share of middle-income households in the same period (OECD 2019).

In addition, in all these countries, unionisation rates have fallen since the early 1980s, and as a result the relation between workers and unions has become quite tenuous. Tellingly, in Renault, the middle management union CGC-CFE is now the largest. In Turin in 1980, 40,000 workers demonstrated against the policies of the trade unions. Spanish unions have, after their heyday during the transition to democracy, entered a period of hard inter-union competition while losing significant numbers of members. But these already far from optimistic figures hide an even more tragic stylised fact. As late as the mid-1990s, many workers in MMEs had been a union

[5] Note: The OECD defines 'middle income' households as those with income between 75% and 200% of the national median.

member over the course of their lifetime but had let membership lapse. Unions have (had) appeal, in other words, but have been unable to establish close permanent links with workers. Any revitalisation of labour unions, even if it involves a clearly desired target as good jobs, will have to address this weak organisational link between members and unions.

Finally, as elsewhere in Europe, companies and workers in southern Europe will face a series of deep discontinuities driven by the green and digital transitions. But in contrast to northern Europe, there is little scope to rely on existing bargaining arrangements for a negotiated adjustment path that spans national, regional, local and company or plant levels. Due to the central place of the state and the weak unions and industrial relations systems, formal education plays an important role in MMEs. France offers perhaps the clearest example of this: about 80% of a student cohort today finishes secondary education with a Baccalaureate and continues for another few years to obtain a post-'Bac' technical or general academic qualification – their entry ticket into the labour market – while the 15% without a Bac are condemned to mediocre jobs or long-term unemployment. The high general skill level in formal training and education, implies that workforce adjustment requires relatively little extra expenditure. Historically, therefore, active labour market policies have been relatively underdeveloped outside narrow retraining programs associated with industrial restructuring and labour market-related government expenditure in MMEs still focuses predominantly on passive support measures (cf. Figure 1 in appendix). However, the centrality of the state means that some aspects of a good jobs agenda can be included in regional restructuring initiatives, social plans, and structural adjustment policies. The electrification of the car industry, for example, has alerted French officials to a possible skills deficit, and has led the government to plan significant spending on small and medium-sized companies and regional development (Chodorge 2021).

An additional problem exists in the links between the innovation systems and their implementation in industry and the economy. Scientific research is generally very good – again, as in most of the EU. But the link between public research and companies has traditionally been very weak: the more applied aspects of the innovation system are disconnected from the needs of industry in most sectors (and large companies have their own, private R&D centres). In France, elite scientific research institutes are often run or supported by the state, but their work does not always have applications beyond targeted mission-oriented initiatives. Spain and Portugal, in contrast, have relatively weak innovation systems, in large measure because of the structural underdevelopment of these economies since the return to democracy in the mid-1970s. Because of the distance between innovation and industry, and between strategic decision-making and execution within companies, the R&D impact on jobs is likely to be quite small. In fact, due to the lack of deep specific skills employees have for many decades been considered interchangeable – which gave them a weak power basis – but that was compensated by strict labour laws and militant unions. As innovation is intrinsically even further removed from the workplace than standard management, the more the company strategy will be based on innovation, the wider the gulf between that and workforce adjustment will become.

From public goods to good jobs

The Good Jobs strategy lays bare the contradictions in the Latin European MME model (Levy 1999). On the one hand, the central role of the state suggests an important role for government

policy in any adjustment path that involves a highly regulated area like the labour market. Yet, since the strategy has a strong decentralising logic – good jobs come into being in workplaces and have effects on the lives of workers and households surrounding these companies – the state should take a step back and strengthen social partners so they can take up their responsibilities. But the capacity of different actors and the trust between them varies tremendously in the different MME countries.

Such a decentralised framework is almost certainly relatively easy to build in Italy, where since the early 1990s, national social pacts and territorial implementation agreements have produced a positive labour market dynamic (interrupted and never resuscitated by the 2001 Berlusconi government after the introduction of the euro). In principle, though, the foundations for decentralised cooperation exist in many Italian regions. The recent (2022) labour law in Spain is still too young to evaluate its effects, but many observers see it as a milestone that could pull Spain out of counterproductive adversarialism and into an era of studied cooperation. In France, though, such a decentralised cooperative model is harder to imagine and build, because of the fragmented trade union landscape and the many escape clauses for employers. Recent employment shifts in manufacturing have marginalised the previously dominant union CGT (with its social base among the semi-skilled) and made the CGC-CFE, the union of technicians and middle management, vying for that position. Since this shift in jobs and union representation is emblematic of the shift to more knowledge-based jobs, it offers a chance for negotiated adjustment.

Yet the largest challenge may well be 'cultural'. Any change in jobs will also require change in organisational form and culture away from the prevailing hierarchical structures (Aguilera and Jackson 2003) toward flatter hierarchies and more cooperation. Again, because of recent shifts, this may turn out to be easier in Italy, where the post-90s industrial relations model has many more elements of negotiated pacts, from the national agreements to territorial pacts, which bring together many local stakeholders (cf. Negrelli & Pulignano 2008). Furthermore, in contrast to the nominally 'one and indivisible' French republic, the Italian political economy has always been more a collection of highly localised systems, in which regional actors play a large role, and where unions and employers are more pragmatic than at the centre. In the Third Italy, with its networks of firms in clusters and districts that are often closely integrated in the successful export sectors of the Italian economy (Rodriguez-d'Acri 2011), firms know how to handle mutual dependence quite well. Labour markets, product markets, and innovation are all governed locally through an informal system of inter-firm cooperation when necessary, and competition in other markets. The upshot is that the weak formal industrial training system at the national level is compensated by strong informal training networks. Those existing collaborative systems in labour markets, training and innovation could become the areas that local governments can build on to introduce local certification mechanisms – for initial training as well as further education in firms or under ALMP – in cooperation with companies and unions.

A local certification system could also work in France, but only if local deviations from the centralised school curriculum become acceptable. Put differently, if couched in terms of local retraining – as these training systems often were in the decentralisation laws of the early 1980s, which made regions nominally responsible for local economic development – regions could play

a much more important central role in skills (and research-industry innovation links). These decentralisation attempts failed because they offered a supply of institutions (and funding) without a clear sense of the demand for innovation links and training arrangements (Levy 1999; Hancké 2002).

However, as the Good Jobs project turns that logic around – companies need innovation and new skills – the chances of success are likely higher. One, assume that more local variation is possible. Two, integrate companies earlier in the process and more closely in implementation rounds. The French authorities are not very strong at producing public goods that firms require, such as innovation and training. But if a decentralised system – where firms, unions and state representatives negotiate iteratively on the local level – could define the needs more sharply and local authorities then offered them, this could induce companies to use them. As a result, government would control strategic resources that firms need, and could use that leverage to compel others to participate in schemes so they could gain access to the public goods.

Regions where the opportunities arising from the green transition are most apparent and, perhaps, urgent, offer a fertile experimentation ground. The Hauts-de-France region, for instance, has secured three electric vehicle battery plants and is establishing a new supply chain as a result. While it is far from clear that the regional training system can match the skills demand, the required qualifications might continue to change, as the underlying technology is still volatile. A closer cooperation among local stakeholders – organised by social partners and induced by the regional government – could improve skill forecasts and improve industrial training. By linking (further) funding for firms to their participation in regional Good Jobs and innovation strategies, companies could also be incentivised to cooperate among each other and with local research institutes. It is not impossible to make some (extra) funding available to participants in Good Jobs schemes. All other things equal, that should also entice hesitant employers and unions to come on board.

The competition among French organised labour poses a more complex challenge. It is certainly possible to imagine for the more centrist CFDT and CGC-CFE trade unions to participate in such restructuring schemes, since they have (sometimes at their own peril) been doing that for the better part of two decades. But the participation of CGT and FO is harder to envision. In a competitive union system, the opportunistic refusal of one union usually leads to big gains in membership and authority for the latter. In other words, a ‘coalition of the willing’ is hard to forge: that has been the restructuring strategy in many companies since the big restructuring wave of the 1980s, when management negotiated with one union. The agreement was always undermined by the mobilisation of the ‘unwilling’ and the negotiated outcome ultimately led to conflict. Any search for agreement will therefore have to handle the ‘power of the least motivated’ and find ways to overcome that.

Conclusion

While MMEs differ in a series of aspects, they all share a strong role for the state – which is necessary due to organisationally weaker social partners and a less concerted social dialogue – as a common characteristic. While national differences persist, the Good Jobs agenda faces some important challenges in MMEs. The high unemployment rates in many Southern Eu-

ropean countries means that the strategy will not only have to create better but also more jobs. Furthermore, union membership has decreased significantly over recent decades and union competition makes an institution- and trust-based Good Jobs strategy more complicated. As the institutional framework – which the Good Jobs strategy builds on – is not as strong as in OMEs or SDMEs the restructuring related to the green and digital transitions in MMEs will not follow the same negotiated path as in North-western Europe which forces firms to bear a significant share of the adjustment costs, thereby inducing them to entertain alternative solutions. Finally, the shift towards a human-centred and innovation-driven growth model might be obstructed by a lack of innovation capacity (e.g., in Spain and Portugal) or by the missing link between innovation centres and industry (as in France). However, the centrality of the state means that some aspects of a good jobs agenda can be included in regional restructuring initiatives, social plans, and structural adjustment policies. Government policies in MMEs which seek to strengthen and decentralise the provision of public goods (i.e., the frameworks that produce the innovation and skills firms require) can support the Good Jobs strategy because they improve the social dialogue between labour market actors on the local level and give the state a strategic resource which can be used as leverage to compel firms to create good jobs.

4.3. The weak links of dependence in the Visegrád 4

Central Europe (CEE) has one relatively developed economic model – the dependent market economy (DME), primarily in the Visegrád 4 (V4 henceforth: Czech Republic, Hungary, Slovakia and Poland), in which sophisticated medium-high skills became the cornerstone of post-socialist reindustrialisation. Multinational companies (MNC), initially mainly German engineering firms, set up factories quickly after 1989 – somewhat disparagingly referred to as 'extended workshops', since they took over assembly (only) from German plants. Wages in these multinationals are higher than elsewhere in the economy, as are skills, but beyond managing this skills-wages nexus, local subsidiaries of MNCs have little strategic autonomy. Relatively cooperative industrial relations in the MNCs contrasts sharply with the rest of the economy, where social partners are marginalised – despite their formal recognition and the declared general transition trajectory of a social market economy in the German vein.

While there is some variation between countries, the most fundamental problem that CEE and, in particular, the more advanced V4 economies face from the point of view of good jobs is the combination of low autonomy in strategic decision-making for most economies in the region and the relative weakness of the state in the political economy. Because of dependency of local economies on foreign direct investment, company decisions with massive social consequences usually remain outside the control of local actors. And whilst governments could in principle counter that strategic dependence, the weakness of the state in many countries (and its focus on non-economic issues where its ability to act is larger, as in Hungary and Poland), make such an outcome unlikely. In addition, the relative indifference of many political parties to questions of social development, and the fragile basis for social dialogue, with organisationally and strategically weak unions and employers, add to that endemic problem. As things stand now, therefore, it is not easy to spot chances to change the debate (and action) about economic change and labour markets, let alone discuss the development of more good jobs (outside of the leading FDI-dependent export sectors).

But crises offer opportunities, as the cliché goes. The dual transition – digitisation of work and decarbonisation of the economy – may offer surprising pathways into alternative scenarios. First, examine the ironic consequences of strategic dependence. The dependent nature of industry in the region makes it highly unlikely that multinational companies will privilege social outcomes in CEE when entering the transitions. For the dual transition is, all else equal, likely to exact a short-term toll in terms of employment and skills in the MNCs' domestic (often German) core workforce. But not all else is equal: strong employee representation in the core will force multinational companies in Germany and surrounding OMEs – the source of a large portion of (manufacturing) FDI coming to CEE – to prioritise jobs and skills in the centre rather than in the periphery. Since the transitions have the character of short-run zero-sum games, where A's gains are B's immediate losses[6], this political economy of adjustment almost mechanically implies that many of those jobs will be lost in CEE.

Much of the high-skill and high-wage employment in the car industry, the largest private employer in many Visegrád 4 regions, falls into this category. Automation and electrification are forcing a revolution on the industry. Given the political-economic calculations earlier, there is a risk that car manufacturers will run down their peripheral plants, where unions and industrial relations systems are relatively weak, to safeguard social peace in the centre – not unlike what happened in the 1990s and 2000s. While that almost certainly implies that the dual transition is an existential threat for a considerable share of final assembly operations in CEE, this process also opens new opportunities further down the supply chain. An obvious example is in building and recycling car batteries for electric vehicles (EVs), where many OEMs are unable (or unwilling, because of technological uncertainty) to build sufficient in-house capacity, and where new suppliers have a decent chance of successfully entering the market. The V4 economies have already attracted a considerable number of (mostly Asian) battery manufacturers which (will) utilise the region as their European production hub. While the dependence on FDI, therefore, remains, the larger geographical distance from the (Asian) newcomers' headquarters might afford the subsidiaries more strategic autonomy. Furthermore, although a substantial portion of innovative technologies was transferred from Western headquarters or developed in MNC R&D centres, a priori, nothing precludes indigenous firms to emerge, supported by local governments, linked to local technical universities and colleges, and building on existing workforce skills.

As the EV and digital revolutions unfold, new product lines will emerge that consist of other sophisticated parts, such as software development for specific sub-assemblies, of which OEMs are currently steering clear because of the excessive unpredictability. In addition, it is now obvious that the green transition will create a host of new business activities and occupations. The circular economy, for example, and especially recycling valuable raw materials, is easier to accommodate in the relatively open V4 economic landscape. Since the circular economy requires higher skills than most of the rest of the region's economies (possibly beside vehicle assembly), but lower than what is deemed normal in many north-west European economies, expansion in

[6] Unless a bridge can be found between the short and the long term, the net present value of long run benefits does not matter much because of time inconsistency problems, which imply that current costs outweigh distant future gains.

these sectors will have immediate positive effects on the overall quality of jobs – with rising stability in wages, working and employment conditions, and potentially some form of collective representation beyond the current formal, but usually only theoretical, recognition.

Positioning a significant part of their economies in these new sectors will force governments, aided by EU development funds, into action. Innovation and skills, and especially the emerging labour market at the intersection of these two areas, is at the core of such a development model, in which relatively small process improvements can produce large competitive advantages. And that success depends on high-performance technical and post-secondary education, an area where (in contrast to industrial training of a vocational and technical nature) governments play a central role.

Innovation, training and skills: A starting point for the Good Jobs strategy

These shifts in government attention may not immediately create a strong industrial relations system, but it will set a new agenda, built around training. That can increase the influence of social partners in the adjustment process. The attention to training that benefits companies invariably begs the related question of how employees can protect bargaining power if skills match the requirements of only a few or even just a single company. In the much-lauded German training system, trade unions have traditionally been the guarantors of quality and portability, and it is not hard to see how that could be the case in the V4 economies, with similar training traditions. Increased attention to skills and training thus directly benefits companies, workers, trade unions and, because of this, local economies, and employment systems. True win-win situations are rare – and this is no exception – but much of the cost of the system can be reasonably distributed between the private sector, employees, and governments.

The recently signed memorandum of understanding between the European Institute of Innovation and Technology – an EU body – and the Hungarian government to re- and upskill workers (EIT 2021) is a good example of an EU initiative that enables national governments to create targeted local skills programmes, providing the basis for a successful transition and high-quality jobs. In the context of the EU Battery Alliance, the initiative will create a framework for collaboration which aims to accelerate training, vocational education and higher education in Hungary with a strong focus on the localisation of existing and future knowledge that is required throughout the electromobility and battery value chain. The programme is supported by the wider Hungarian Battery Industry Strategy and the Hungarian Battery Alliance (HUBA) which unites industry actors, universities and research institutes and public authorities and aims to strengthen the role of the Hungarian battery industry and cooperation within it.

Such collective revitalisation and investment projects are particularly useful in institutionally 'thin' economies like the ones that we encounter in many Central-European countries. Adjustment, growth, and competitiveness are difficult in these countries, because they rely on the existence of collective (public) goods like skills, innovation, subcontracting networks, infrastructure, etc., which are thin on the ground, even in the socially more robust Visegrád 4. At the moment, all collective competition goods are (quasi-)privately produced: multinationals in the car industry, for instance, all contribute to training, prodded by the local arms of international chambers of commerce (Hancké 2012b). Supplier networks for company A can easily also work for com-

pany B (and, thus, grow and perform better for A and B). But these collective goods take the shape of 'club goods', accessible only to those who contribute but not to the economy at large.

Government funding and social governance of training and other arrangements that produce public goods invert this logic: collective goods are truly public in this set-up, benefit everyone without disproportionately burdening individual companies, and potentially unleash a virtuous dynamic. Innovation through industry-linked research, skills through collective training institutions, and positive agglomeration effects raise the overall performance of subcontracting networks. Put differently, the need for public goods in private settings could relatively easily be turned into a lever to produce Good Jobs, even in some of the less auspicious environments in Central Europe. The dual transition, in which public actors, semi-public associations, and private actors play essential roles, offers the impetus for such a strategy.

Conclusion

The V4 – Poland, Hungary, Slovakia and the Czech Republic – are home to the most advanced economic and labour market model in Central and Eastern Europe. While there is some national variation even within the V4, their economic success since their transition to capitalist democracies is dependent on foreign direct investment from Western European – often German – multinational companies. Due to the availability of a large skilled but cheap workforce, many MNCs (including firms further down the supply chain) transferred a considerable part of their assembly operations to these countries. While wages and skills are comparatively high in these FDI-dependent export sectors and supporting industries, such as professional services, a significant part of the population in the V4 (and an even higher share in the less-advanced remainder of CEE) does not have access to good jobs. Furthermore, as the local management of MNC subsidiaries lacks strategic decision-making capacity, the fate of the V4 workforce is often in the hands of corporate and labour leaders in MNC headquarters. The green and digital transitions, hence, pose an existential threat to CEE assembly locations if, for instance, carmakers decide to safeguard employment – and therefore social peace – in their domestic locations, at the expense of workers in the Eastern periphery. However, the dual transition also presents an opportunity for governments to reduce or, at least, diversify the dependence on foreign capital inflows. On the one hand, the V4 region is already successfully attracting (mostly Asian) battery producers, some of which seem to have chosen the location as their European production hub. On the other hand, the transition towards a green and circular economy creates further opportunities for V4 countries along the recycling value chain. While governments in the region traditionally compete for foreign business investments with tax breaks, relatively lax labour codes and the combination of low wages and medium-high skills, a renewed focus on the provision of public goods, such as innovation through industry-linked research or skills through collective training institutions can be a starting point for the creation of a thicker industrial relations system, which can be used to fully operationalise a Good Jobs strategy in the region. EU framework initiatives – such as the European Battery Alliance and the related Battery Academy model – are very useful in this regard, as they foster cooperation between and among industry actors.

5. Conclusion

Labour markets in advanced capitalist economies have experienced dramatic changes over the past four decades. One of the major challenges has been increasing inequality, which is associated with a declining quantity of good middle-income jobs. The EU is no exception to this trend: while the number of jobs with the highest skill requirements and high wages has increased across the continent, employment at the lowest end of the income distribution has grown considerably in most EU countries, often at the expense of middle-income jobs. Consequently, this dualisation of the labour market – where core employees enjoying decent wages, social protection and personal autonomy are juxtaposed against low-income workers in the periphery that suffer from employment instability and adverse working conditions – caused a hollowing-out of the good middle-income jobs.

This is the – already troublesome – background against which the green and digital transitions and the shift towards a knowledge economy play out. There is a significant risk that these secular economic transformations exacerbate the existing problems in European labour markets, leading to a further dualisation between high- and low-skilled workers and an increase in low-skilled and low-quality jobs due to a rise in automation. While the EU picks up these issues in various initiatives and calls for an integrated policy framework, details on labour markets and welfare states remain relatively vague and intangible.

The Good Jobs strategy outlined in this paper aims to fill this gap. Operationalising the Good Jobs project in the EU means building on the strength of existing labour market governance regimes and the different forms they have taken across the continent. The basic starting point for such an approach is that innovation and skills are the EU's primary 'natural resources', on which many European economies have built their comparative advantage. This suggests that the central place of skills, and of the actors involved in their production, opens possibilities for a new labour-inclusive technology-driven growth model.

The creation of good jobs is contingent on training systems that equip workers with the skills that firms demand. In light of the increased economic and technological volatility of the dual transition an increased emphasis on adaptive skillsets and lifelong learning – brought about by company-internal training for workers or ALMP for unemployed persons or workers at risk of unemployment – is imperative. At the same time, to incentivise labour-inclusive innovation, we propose a social impact assessment for industrial restructuring projects, which could also be used as a condition for EU industrial support funds. Most importantly, our Good Jobs strategy emphasises incentives for social actors on the local level to find shared solutions to common challenges. While governments will have to take up a more active supporting role in some settings, we propose a decentralised and iterative approach that allows the establishment of regional social coalitions which foster local cooperation and build social trust among relevant stakeholders.

Finally, in line with the emphasis on local adaptation, we assessed the development of good jobs in the four main types of labour market regimes found in the EU and explore potential challenges and opportunities the Good Jobs agenda faces in these country groups. While the insti-

tutional starting points and practical means of implementation differ across European labour markets, the Good Job strategy's main elements – an iterative approach to foster adaptive skills, human-centred innovation and social trust – can be applied across the continent.

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