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Swords of Justice in an age of retrenchment? The role of trade unions in welfare provision¹

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Abstract:

The recent financial crisis has further emphasised the precarious political situation of unions; austerity measures have targeted unions’ traditional institutional ally, the welfare state, as well as its last organisation stronghold, the public sector. The purpose of this paper is to examine the how trade unions have responded to gaps in welfare provision, due either to reform or state negligence, and how state roll-back provides a silver lining via the enhancement of unions’ bargaining responsibilities. We argue that apart from retrenchment and privatisation, there is a third road to welfare reform which envisages unions’ ‘collectivisation’ of social risks through take-up of marginalised policies in bargaining agreements. Presenting evidence from a most-likely (the Netherlands) and least-likely (Greece) case, we identify instances where unions have acted as pivotal political substitutes to the state in the realm of welfare provision.

Key Words: Trade Unions, Welfare State, Welfare Reform, the Netherlands, Greece

I. Introduction

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The decline of union power over the past 30 years has been well documented. In many OECD countries, unions suffered significant losses in membership: the result of the changing structure of employment and the transition to the services economy, government policies, the retreat of collectivist ideals, pressures from globalisation and technological change. In the US and UK, political attacks on unions in the 1980s were devastating, especially for union organisation within the private sector. Even in Germany, bargaining coverage has slowly ebbed as (small and medium sized) employers began to doubt the usefulness of traditional institutions of corporatism (Siliva, 1997).

The recent financial crisis has further emphasised the precarious political situation of unions; while major financial actors received considerable assistance from governments across the developed world, austerity measures have targeted unions' traditional institutional ally, the welfare state, as well as its last organisation stronghold, the public sector. Welfare state retrenchment is not new to the current fiscal/financial crisis; it has been on the political agenda of many OECD governments in the 1980s, and the extent of its rollback has been contested (see Pierson, 2001, Bonoli, 2007 and Hacker, 2004). The purpose of this paper is to examine the how trade unions have responded to gaps in welfare provision, due either to reform or state negligence, and how state roll-back provides a silver lining via the enhancement of unions' bargaining responsibilities.

We further develop the argument, which we also make elsewhere (Johnston et al, 2011), that apart from retrenchment and privatisation, there is a third road to welfare reform which envisages the 'collectivisation' of social risks as a response to retrenchment

pressures. Additionally, collectivisation may take other forms, such as the protection of precarious workers via collective bargaining re-regulation (see Cella, this issue). We focus on how trade unions respond to the threat of welfare retrenchment, and whether they can successfully assume provision responsibilities over policies that have been shed or marginalised by the state. If unions prove to be successful in such uptake endeavors, thus acting as ‘swords of justice’, they may eventually become pivotal *political substitutes* to the state in the realm of welfare provision. Contrary to some who perceive unions as political dinosaurs and a relic of the industrial era, we present case study evidence that unions have successfully used instances of welfare state gaps to expand their competencies into new policy domains. Union involvement in welfare provision is not entirely novel, but their managerial capacity to introduce additional layers of collective welfare provision in the face of reform has been undeveloped. By presenting evidence drawn from, not only, a most-likely case, the Netherlands (where unions reintroduced disability insurance supplements in response to replacement rate cuts), but also, a least-likely case, Greece (where unions responded to the gap in vocational training through the creation of a national, solidaristic training fund), we argue that trade unions from heterogeneous corporatist cultures have achieved similar collectivist outcomes, albeit through different employment policies. Nonetheless, despite an initial positive track-record, the preservation of such efforts throughout the current fiscal crisis has strongly diverged across our case studies. While Dutch unions have expanded their provision of disability insurance supplements to over 90% of the total labor force, Greek unions have become victims of their own success, with the New Democracy government

assuming control over the collective training fund and using it to address budgetary (and clientelistic) pressures.

Section II examines the historical relationship between trade unions and the welfare state. It outlines the links between the two institutions, explaining in what ways the welfare state has acted as a historical ‘institutional ally’ of trade unions. Section III considers how welfare state retrenchment in the past 30 years has impacted this political/institutional relationship. We identify a gap within the literature, already highlighted by Trampusch (2007a, b), that has ignored a possible route taken by unions to mitigate retrenchment while simultaneously enhancing their bargaining remit: the collectivisation of social risks. Section IV thus presents brief examples of collectivisation amidst welfare retrenchment. The cases stem from very diverse institutional contexts, highlighting the possibility that social risk collectivisation can extend beyond the traditional consensus-corporatist character of northwestern Europe. In section V, we briefly discuss how these cases of collectivisation evolved during the crisis, and in the final section we consider the opportunities for ‘collectivisation’ of social risks in the context of a global financial crisis.

II. Trade Union Involvement in the Welfare State

The role of trade unions as welfare providers harkens back to their inception. Early craft unions (see Visser, this issue) started as workers’ self-help organisations to cater to sickness and old-age problems. Unions were not only a spontaneous expression of

solidarity among workers, but also a response to the gap of state or employer coverage for important social risks. Indeed, from their early days, unions offered ‘forms of life insurance or assistance with funeral costs as these have always been of concern to working people’ (Simms and Charlwood, 2010:141). Throughout many Western European countries, trade unions either provided important welfare policies directly or became increasingly involved in their administration during the welfare state’s golden age.

Taking 19th century Britain as a point of departure, the state was largely negligent in the provision of welfare for its citizens. In the ‘night-watchman state’ of the time, the role of government was limited to ensuring law and order. The dominant liberal paradigm accepted the idea that the poor were ‘intrinsically lazy’ (Spencer, 2009) and responsible for their own misery. Welfare provision was limited to voluntary philanthropy or the minimal coverage of British ‘Poor Laws’. However, the dominant libertarian ideal of the 19th century was challenged by the diffusion of socialist ideas. Workers’ organisations of the early 20th century managed to improve workers’ conditions in different respects: reducing daily working time, rules for health and safety; healthcare coverage for workplace accidents, negotiating sickness leave, etc. Still, the entitlement to these rudimentary ‘welfare benefits’ was linked to employment, rather than citizenship. The birth of Britain’s universalistic welfare state would have to wait until after the end of the Second World War.

The most prominent conceptualisation of the link between citizenship and social rights has been articulated by T. H. Marshall, in his magisterial work on *Citizenship and Social Class*. Marshall (1950:10-11) elaborated on the development of citizenship into three stages: (i) *civil rights* (e.g. property rights) linked with institutions such as the courts; (ii) *political rights* (e.g. right to vote) linked with institutions such as the parliament; and (iii) *social rights* linked with institutions such as the welfare state. Admittedly, his classification drew inspiration from the British case, and consequently such a linear development in the attribution of citizenship rights may not be observed in other countries. Nevertheless, Marshall highlighted that citizenship is incomplete unless all three rights are fully conferred to an individual. Thus, the boundaries between the individual *as employee* and the individual *as citizen* gradually blurred, and the welfare state became ‘the link between the situation of workers as employees and as citizens’ (Hyman, 2004:415).

Throughout post-war Britain, and the resulting erection of welfare state institutions, the functional areas that social protection encompassed covered a wide range of risks that emerge throughout individuals’ life-cycle stages, not limited to employment, such as: education/training; healthcare; unemployment benefits; housing and family; and pensions. In this context, the relationship between welfare state and trade unions became more straightforward, and found a clear manifestation in ‘the varying extent to which the industrial relations actors (or ‘social partners’) are implicated in the administration of the welfare state’ (Hyman, 2004:416). Table 1 presents these life stages and links them to the corresponding welfare state policies which have seen, time after time, active trade union

participation in their provision. The rest of the section considers additional examples in alternative national contexts.

Table 1: Life-cycle states and welfare state/trade union domain

Life-cycle Stage	Welfare State Policy Area	Example of Trade Unions' involvement
Transition to first job – education and skill formation	Education and training policy	<i>Dual apprenticeship training system</i>
Break from employment due to risk of sickness/ disability	Healthcare policy and social care	<i>Disability Benefits system administered by bi-partite boards</i>
Breaks from employment due to risk of dismissal	Employment policy / unemployment benefits	<i>Ghent System of unemployment insurance</i>
Transition to independent household with/without family formation	Housing policy and Work-Family balance policies	<i>Swedish Quality of Working Life movement</i>
Transition from employment to retirement	Pensions/social security policy	<i>Union pension funds/ Supplementary pension schemes</i>
Source: Authors' own elaboration.		

Education and Training

The paradigm example for trade unions' involvement in education and training policy is German unions' engagement in the supervision of the *dual apprenticeship system*. The German system of training has been elevated as a role-model for many other countries

given the breadth and depth of skills that it confers onto workers. Full apprenticeships last for three years and trainees are taught technical skills both in the classroom and at the workplace through participation in various problem-solving activities (Grugulis, 2009:121). Sectoral trade unions are involved in the design of the training programmes and the content of the curriculum. This contributes to the production of a collective good, the acquisition of specific skills, across the industry, benefiting smaller and larger firms alike. However, several scholars have argued that ‘the much admired German apprenticeship system is not a system which can easily be transplanted to another economy’ (Soskice, 1993:102) since it is anchored on a set of specific institutional arrangements, of which the industrial relations system is but one.

Employment and Unemployment

Although the Ghent system of unemployment insurance took its name from the city located in the Flemish region of Belgium, it became synonymous with Nordic unions’ direct involvement in the welfare state. In short, it entailed the formalisation of a system of pre-existing networks of unemployment compensation organised by trade unions, which the government chose to subsidise. Hence, unemployment benefits were administered by trade union benefits, but funded by the state. Unions’ involvement in the direct administration of welfare benefits provided them considerable power, influencing their capacity to recruit members. Several scholars (e.g. Rothstein, 1992) have associated the existence of Ghent systems of unemployment insurance in Nordic countries with the persistence of high union density rates, and the capacity of such rates to withstand

modern political and economic pressures which have instead led to declining membership numbers in other countries.

Pensions and Social Security Policy

Union involvement in pension policy can take many forms, for instance unions' administration of pension funds or supplementary/occupational pension funds. However, if unions use this policy strategically, they may also enhance their ability to retain membership from segments of the labour-force which have become inactive through retirement. The Italian trade union movement, comprised by a large number of pensioners, provides a case in point. Italian unions, like some of their Nordic counterparts, are heavily involved in the administration of pensions. Baccaro and Locke (1996:3) noted that 'the great majority of pensions (85 percent) [were] paid by the *Istituto Nazionale della Previdenza Sociale* (INPS)'. At the same time the INPS was administered in a corporatist manner, and unions held 'the majority in the board of directors of INPS' (Regini and Regalia, 1997:215). Admittedly, the influence of Italian unions has waned since the 1990s. Nonetheless, unions are still involved in the administration of pension funds especially in countries with Bismarckian pension systems.

In sum, trade unions have been historically involved in various facets of the welfare state. However, with advancement of neoliberal policies and the pressures for retrenchment in the post-industrial era, reform pressures were bound to challenge unions' roles. The next

section considers how the relationship between trade unions and the welfare state evolved in the 'era of permanent fiscal austerity'.

III. Trade Unions and the Welfare State in the Era of Fiscal Austerity

In the past 20 years, an overwhelming body of literature has discussed the new politics of welfare retrenchment. Increased capital mobility, globalisation, the growing attraction of neoliberal and monetarist policies, slow growth and high unemployment prompted many to question the welfare state's generosity. Welfare states were criticised for their inefficiencies, but also for being a source of waste of public resources once system abuse gave way to 'dependencies' on entitlements (Cox, 2001). The growing appeal of these critiques to political parties and policy makers led them to place fiscal austerity measures high on political agendas.

Several scholars, however, remained sceptical about the true extent of welfare retrenchment. Pierson (2001) questioned the radicalism of welfare state retrenchment, and was among the first to outline new politics behind welfare state reform. Pierson reasoned that unlike welfare state build-up, which involved enactment of popular policies in a relatively under-developed interest group environment, welfare state retrenchment requires the pursuit of unpopular policies that must pass scrutiny of voters and well-entrenched interest groups. Because these veto players would more willingly block welfare retrenchment than welfare expansion, major (unpopular) cutbacks in the welfare state are highly unlikely, and may be limited even in periods of budgetary crisis.

While many criticised Pierson's scepticism over the scope of welfare retrenchment (see Clayton and Pontusson, 1998 and Scruggs and Allan, 2004), Hacker (2004) offered a unique critique to Pierson's 'new politics' argument. He acknowledged that while many US social programmes resisted radical retrenchment, less visible changes to the US welfare state have taken place, which prompted the increased privatisation of social risks. These crucial changes to the welfare state do not result from highly-publicised or large-scale legislative reform, but from more silent initiatives of decentralisation, the prevention of welfare policies' adaptation to modern pressures or the erection of new institutions on top of old ones. These processes are just as threatening to the welfare state, as they force individuals to privatise risks and instruments of income-support which were formally within the remit of the collective sphere.

Although both Hacker and Pierson offer innovative insights with reference to the scope of welfare retrenchment since the 1980s, both largely ignore the role played by trade unions in this largely political process. The lack of attention towards industrial actors is perhaps justifiable in the American context, where trade unions have witnessed severe erosion in their political power and have, historically, lacked any role in welfare provision. In the European debate, little consensus has emerged on the role of unions and employers in welfare retrenchment as reform blockers or reform enhancers: Cox (2001) and Scruggs and Allan, 2004 classify unions as the former, while Ebbinghaus and Hassel (2000) and Rhodes (2001) identify these agents as the latter. Nevertheless, both the American and European debates on welfare reform neglect possible 'blowback' as surprisingly little analysis focuses on policy provision after retrenchment reforms are enacted.

As we have argued elsewhere (Johnston et al 2011) ‘collectivisation of social risks’ is an overseen alternative, in which unions, with or without employers, may fill gaps created by welfare state retrenchment by shifting policies into the sphere of collective bargaining. Turning Hacker’s privatisation argument on its head, we argue that, if unions are successful in policy up-take, reform can lead to a re-collectivisation (where welfare provision enters a collective sphere of influence) rather than the privatisation (where welfare provision enters an individual sphere of influence) of risk. The possibility of collectivisation is not entirely novel and has been discussed in great length by Trampusch (2007a, b) who outlined how social partners in the Netherlands, Denmark, France, and to a lesser extent Germany have utilised solidaristic approaches for the distribution of welfare provisions in the areas of pensions, early retirement and training. She argues that as concepts of solidarity encompass a structural dimension, unions will utilise such concepts as a moral principle underlying the application of welfare schemes (2007b: 202). We diverge from Trampusch, however, in one crucial respect: we present cases of collectivisation which have involved clear cases of *competency transfer* from the state to social partners *after* welfare retrenchment or negligence. In other words, rather than examining welfare policies where social partners held clear competencies *before* the age of welfare retrenchment, as Trampusch does, we explore whether state roll-back/negligence has led to unions successfully expanding their bargaining competencies.

The examination of this distinctive form of collectivisation is important for two reasons. First, it suggests that unlike the caricature of ‘selfish insiders’, unions may cater the interests of outsiders in their attempts to safeguard the welfare state. The argument is

all the more significant as welfare retrenchment usually takes place ‘in the name of outsiders’. These constituencies may fall by the wayside as a consequence of extensive welfare state slimming. Unions’ attempts at collectivisation can therefore provide the means to extend social protection to marginalised groups. Second, the hypothesis suggests that welfare state retrenchment can provide a silver lining for unions in terms of revitalisation. As globalisation and international competitiveness place further constraints on the wage realm of bargaining, unions can use welfare state reform as an opportunity to re-assert their bargaining legitimacy over new, non-wage issues. By doing so, they can shift the boundary of social policy provision from the public to the collective sphere.

The next section considers briefly two case studies, in which unions and employers successfully managed to ‘collectivise’ welfare provision by shifting it into the collective bargaining sphere. These cases represent different facets of welfare state policy-areas (training and disability) in diverse industrial relations contexts. Thus, the cases serve to illustrate that collectivisation can be generalised at a greater level of abstraction, because diverse trade union traditions and cultures produced similar outcomes, albeit in different policy domains.

IV. Collectivisation of Social Risks in the Age of Fiscal Austerity

Trade Unions and Training: The Solidarity Fund in Greece

The industrial relation system in Greece has been characterised by an embedded adversarial culture and a lack of tradition of social partnership along West European norms. It was therefore a remarkable achievement for this institutional setting that trade unions and employers agreed to establish a fund for the financing of vocational training

programmes in the late 1980s. The breakthrough came with the national collective bargaining agreement signed in 1988; unions and employers agreed to establish a general levy to all employers, 0.20% of the total wage bill, to finance vocational training programmes (Demetriades, 2002).

A few years later, the national collective bargaining agreement of 1994 increased the employer levy (0.45% of total wage bill). The levy would be collected in a Fund (ELPEKE) which was administered by a state agency, Manpower Organisation. Firms which offered training programmes to their employees were able to claim reimbursement of their costs from ELPEKE. Even more surprisingly, in the 1994 national collective agreement the peak labour confederation (GSEE) and peak employers associations (SEV, GSEVE, ESEE) agreed to establish a second Fund (EKLA) with sole purpose to finance training programmes for unemployed. Importantly, the resources for this fund came to a larger extent from the employers than from employees (0.26% and 0.10% of the total wage bill respectively). The two Funds were supervised strictly by a bi-partite committee, in which there was equal representation of unions and employers and the president of the Manpower Organisation chaired the meetings. In 1996 the two Funds were subsequently merged to a single one (LAEK), which came to be known as the 'Social Solidarity Fund'.

Overall, trade unions and employers agreed a clear redistribution of resources from their own members to 'outsiders' of the labour market. Admittedly, training is a policy-area conducive to positive-sum and consensual outcomes, since both firms and workers benefit from skills provision. Firms would invest in human capital, with the

expectation of accruing benefits of higher productivity in the long run. However, the collectivisation of social risks is more surprising when the reach of the solidarity was extended to cover unemployed. This was a clear example of unions assuming a social policy area and collectivising one particular risk, lack of skills, from unemployment (for a more detailed account see Johnston et al., 2011).

Trade Unions and Welfare: Disability Insurance in the Netherlands

Dutch corporatism has often been classified as one of consensus, where unions routinely exchange wage moderation for working time reductions and policy concessions from employers and government, respectively. Despite such cooperation, the Dutch state has historically played an active role in wage management when such consensus has stalled, threatening to legislatively impose wage freezes in line with policy/economic objectives (Hemerijck and Marx, 2006). While this form of temporary unilateralism has facilitated the continued delivery of wage moderation, in the case of disability insurance reform, it created a unique window of opportunity for Dutch social partners to assume a pivotal role in benefit distribution.

Reform of disability insurance (*Wet op de Arbeidsongeschiktheidsverzekering*, WAO), consistently evaded Dutch governments throughout the 1980s and early 1990s. Several (successful) reforms were implemented reduce the replacement rate of disability insurance in the late 1980s, yet the social insurance programme continued to burden public finance due in large part to claimant volume – an estimated 1 million by 1990 (Hemerijck 2003). Social partners were partially to blame for WAO abuse as disability

benefit was administered by bi-partite Insurance Industry Associations (IIAs), and employers' reliance upon the welfare programme to shed older workers made it an effective tool to avoid the costlier process of dismissal.

In the early 1990s, the Lubbers-Kok coalition overcame the disability reform deadlock and unilaterally introduced new reform measures in 1993 which tightened eligibility criteria and further reduced WAO benefits for younger workers. While government unilateralism through legislation was not novel to Dutch employment policy, unions' response to the reforms in subsequent collective bargaining rounds was unprecedented. 'WAO repair' became the top bargaining priority of Dutch unions, preceding even pay, in the 1993 and 1994 bargaining agendas. In order to rectify the reduction in benefits for workers under 59, unions pushed for 'WAO supplements' in company and sectoral agreements. For sectoral agreements, unions managed to secure WAO supplement contributions from employers. Top-up provisions, financed mostly by employees, were secured in bargaining settlements within the construction, metalworking, banking, and post and telecoms sectors. WAO repair even occurred in the public sector; in the 1993 civil servants' collective agreement, unions secured a voluntary employee-funded scheme and this was extended, reluctantly, by the Minister of Social Affairs to the rest of the sector via extension law (for a more detailed account see Johnston et al., 2011).

Borrowing Crouch's (2000) terminology, Dutch unions' collective offensive against Lubbers' unilateral WAO reform provides a clear example of social partners

transforming the snakes of welfare retrenchment into ladders. What is more remarkable about this competency transfer in WAO financing is that it occurred in a period after significant union political and organisational decline (Hemerijck, 1995). After the 1980s, where the persistent exertion of wage moderation had become a policy norm, the WAO ‘top-up’ offensive provided a crucial opportunity for Dutch unions to demonstrate their bargaining legitimacy in non-wage issues that could provide positive-sum gains for labour. Unions’ success in rectifying Government’s plans for retrenchment was apparent even one year after reform implementation. A 1994 report from the Ministry of Social Affairs indicated that most collective agreements concluded in 1993 and early 1994 had provided full ‘WAO repair’ (EIRR, 1995). While these supplements were financed mostly by employees, unions avoided the marginalisation of disability insurance by shifting (partial) WAO financing into the collective sphere.

V. The Dutch and Greek Cases in the current Crisis

Contrary to their convergent collectivisation trends in social policy during the 1990s, the Dutch and Greek cases exhibit strikingly divergent paths with respect to their sustainability in the aftermath of 2007 and the ensuing financial and fiscal crisis. For Dutch unions, WAO repair in the 1993 and 1994 bargaining rounds represented the tip of the iceberg of a collectivization wave. Evidence from Yerkes and Tijdens (2010) on FNV collective agreements indicates that WAO inclusion in collective agreements increased substantially throughout the 1990s and 2000s. Between 1995 and 2000, collectively agreed first/second year WAO benefit supplements, FNV and CNV’s early ‘WAO repair’ coverage initiatives, rose from 50/50 percent to 74/60 percent in the public

sector and 3.4/2.6 percent to 49.3/40.1 percent in the private sector (Yerkes and Tijdens, 2010: 378). By 2009, first and second year income supplements were included in 99 percent of private sector collective agreements and 97 percent of public agreements. Only ten years after Dutch unions' original collectivisation efforts, the share of (private-sector) collective agreements that provided second-year WAO benefits top-ups which pushed the total replacement ratio *above* government's pre-reform 70 percent level increased from 2.6 percent to 56.7 percent (378). By 2006, this number rose to a staggering 74 percent.

Such numbers have not declined in the face of the current fiscal crisis. By 2009, the 73.7 percent of (private-sector) collective agreements provided the (above) 70 percent top-up supplement, on par with pre-crisis coverage levels (Yerkes and Tijdens, 2010: 378). Coverage of supplementary income to state disability insurance within the first/second year of claims marginally increased between 2007 and 2009, from 95.4/93.8 percent to 97.1/97.1 percent of public sector agreements and from 97.8/97 percent to 99.5/99 percent of private sector agreements. Coverage ratios of collectively agreed WAO income supplements do not significantly diverge between sectoral and company level agreements. By 2009, 98.1 percent of industry agreements provided first and second year supplements, while 99.5 percent and 98.9 percent of company agreements provided first and second year supplements, respectively. Since 2005, company collective agreements had greater coverage of the more generous second-year 'above 70 percent' supplements than sectoral agreements (Yerkes and Tijdens, 2010: 379).

For Greek unions instead, the debt crisis represented an important setback. As the reserves of the Fund accumulated during the 2000s, they attracted the attention of the cash-starved New Democracy government. In the face of a collapse in tax revenues and soaring public expenditures, the government sought to tap the social partners' fund, scrapping their autonomy. In 2007, an unauthorised transfer of funds from the social partners' training account (LAEK) to the government's unemployment accounts took place (OAED). The peak labour confederation, GSEE, pressed charges against OAED and the employers' confederation (SEV) requested an extraordinary financial audit, but these requests were in vain. In early 2009, all the reserves of the Fund were completely transferred to Manpower Organisation accounts and by mid-2009, as the (hidden) budget deficit was ballooning, the government employed the bipartite Funds to finance anything but training, spanning from clientelistic recruiting in the civil service to subsidies for farmers, thus leading to a public outcry from unions and employers.

The divergent exposure of countries to this fiscal crisis may help explain the variation in recent trends. As the Dutch have enjoyed a more stable fiscal position than the Greeks, desperate fiscal and political measures have not been necessary in the Netherlands. Yet, despite the different debt positions, one should not ignore the possible contribution of heterogeneous trade union cultures to the longevity of unions' capacity to act as 'swords of justice' (Flanders, 1970) in times of crisis. The Dutch state has frequently intervened in wage bargaining in the past, yet very rarely has it permanently removed bi-partite responsibilities from social partners. FNV and CNV's success in shifting WAO provision so significantly into collective agreements may render this

policy area a permanent non-wage issue under collective management - highly difficult for the state to eventually fully reclaim.

VI. Conclusion: Prospects for Collectivisation in times of Crisis

Although Pierson (2001) established the commencement of ‘the era of permanent austerity’ in the 1980s, governments across Europe today are confronted with significantly intensified pressures to reduce public spending and consolidate budgets. The emergence of a global negative fiscal shock which stems from the recent, and ongoing, financial and fiscal crises therefore heightens the likelihood of direct or indirect welfare state retrenchment. Increasing female workers’ retirement age in Italy, shedding public sector employees in Ireland, and tightening the stringency of welfare entitlements in the UK are just a few examples of the more recent measures introduced by Western European governments to approximate balanced fiscal budgets and ultimately restore the ‘confidence’ of financial markets.

In the face of such heightened pressures, the role that may be played by trade unions as ‘swords of justice’ in the management of the welfare state becomes ever more relevant. Unions may not only embrace their traditional roles in employment management, but also participate in the reallocation and redistribution of public finances under stress, albeit indirectly. Unions, with or without the support of employers, could function as a political substitute for a financially-pressed state by bringing onto themselves, and the workers they represent, the costs of welfare provision, thereby

reviving their ability to offer ‘forms of life insurance or assistance’ (Simms and Charlwood, 2010:141). The socialisation of risks witnessed in the Netherlands and Greece, which preceded the heightened pressures we observe today, represent but a starting point for this virtuous cycle to commence.

Yet, one should not expect the collectivisation of social risks as a direct consequence to fiscal austerity everywhere and every time. Moreover, one also should not assume that instances of collectivisation will ultimately *survive* fiscal crises. Though the Dutch and Greek cases of collectivisation were solidified during the economically tremulous early-1990s, the remainder of the decade, as well as the early 2000s, provided an economic environment which could foster the growth, or at least maintenance, of collective financing. Europe’s present fiscal crisis, on the other hand, offers a more strenuous test for collectivisation’s endurance. With states under incredible pressure to pursue austerity, social partners may be required to assume a greater role in the provision of welfare as the scale of retrenchment becomes more severe. Alternatively, if debt positions become unmanageable, desperate governments may attempt to capture collective resources that social partners have successfully wrestled from the state. Such conditions may better gauge the true success of collectivisation, as they enable one to distinguish permanent union inroads into collectivisation from temporary ones.

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