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CONVERGENCE IN INDUSTRIAL RELATIONS?  
THE CASE OF FRANCE AND THE UNITED STATES

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Massachusetts Institute of Technology

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This essay is addressed to the problem of the "convergence" of national industrial relations systems. It focuses first upon the systems which emerged in post-World War II France and the United States and the respective evolution of those two systems in the last fifteen years. It concludes that it is very difficult to see industrial relations in France and the United States as convergent in the conventional sense of the term. This conclusion is consistent with most contemporary work which has stressed the profound and persistent differences in the organization of work and in the nature of work relations among countries generally viewed as industrial.<sup>1</sup> It contrasts sharply with earlier postwar work, largely of American scholars, which emphasized the similarities in the institutional structures of industrial nations and made extremely strong predictions about the inevitability of this convergence.<sup>2</sup> While much of the American literature is explicitly anti-Marxist, the Marxian literature, in its emphasis upon technology as the basic determinant of social relations and its definition of industrial society in terms of particular technological formations, points toward essentially similar findings.<sup>3</sup> If one rejects these older approaches and accepts the newer literature however, one is faced with the question of what industrial (or, in the Marxist vocabulary, capitalist) society is all about, and in danger of losing this as a category of analysis, a conclusion which flies in the face of the intuitions upon which virtually all modern analysis rests.



Elsewhere my colleague Suzanne Berger and I have argued that the way out of this dilemma is to understand industrial society as posing a standard set of problems, which different social systems attempt to solve in different ways.<sup>4</sup> The paper thus turns in the concluding section to examine developments in the theory of regulation to see whether it provides a framework for resolving the analytical issues surrounding convergence in this way.

### I. The American Industrial Relations System

It has become something of a convention in recent analysis to distinguish sharply between industrial relations, on the one hand, and labor market analysis, on the other. This paper will not make that distinction. It starts from the premise that the various segments of the labor market are associated with different industrial relations arrangements and that, to the extent that the labor market segments are inter-related and constitute parts of a single economic system, each of those segments and the social relations which prevail within them, have to be characterized when identifying the system as a whole. Understood in this extended sense, the American industrial relations systems which emerged in the immediate postwar period can be said to consist of five components:





- i) An unionized private sector where wages and working conditions have been established and maintained through collective bargaining between organized labor and management and a closely linked set of unorganized workers in enterprises under the direct threat of union organization;<sup>5</sup>
- ii) A "statutory private sector", where wages and working conditions have been effectively determined by government imposed standards, establishing a minimum wage, controlling hours, maintaining basic health and safety, and the like;
- iii) An unorganized private sector, intermediate between the organized and the statutory sectors, where the threat of union organization has been insufficient to impose union standards but whose wages and working conditions have nonetheless been pushed by the threat above the statutory floor;<sup>6</sup>
- iv) An uncovered, or "exempt" sector,--largely composed of agriculture and certain small service establishments--where employment conditions are basically free of either union or statutory influences and;
- v) The government sector whose terms and conditions of employment have been traditionally set by legislation and administrative practice.<sup>7</sup>



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The Unionized Sector<sup>8</sup>

Most of the literature on American industrial relations in the postwar period has focused upon the first of these sectors, concentrating upon labor-management relations within union organized enterprises. It has tended to emphasize strong, "pragmatic" shop based unions with limited, economic and procedural goals and without a larger ideological orientation or a vision for the transformation of the broader society. Management was characterized as essentially individualistic and pragmatic: individualist in the sense that firms operated independently of each other (i.e., without strong employer associations) and sharply resisted unions as well but pragmatic in the sense that they accepted the existence of trade unions when the latter were sufficiently strong and worked closely with them so long as they were able to survive. The state (or government) played little direct role in industrial relations: it provided certain procedural guarantees and sanctions but did not interfere directly in the substance of collective bargaining,<sup>9</sup> Labor relations in this context have been highly structured: they have operated within a framework of written longterm contracts: strikes have been limited to the period of contract expiration and disputes during the course of the agreement resolved by private arbitration. The range of union intervention in managerial affairs is extensive by French standards, in the sense that unions are concerned not simply with wage rates but also with shop discipline,



job definition, internal job allocation and the like. But the range is also limited; all agree that it is the basic job of management, not the union, to run the business.

### The-Other-Sectors

The focus upon the union organized sector has been so great that one is often led to believe that the whole of the American system could be characterized in these terms. Our knowledge of the remaining pieces of the system is by contrast extremely sketchy, and there is almost no systematic work about the relationship among the different sectors or the extent to which they form a single system.

In most of the urban, industrial regions outside the South, the statutory sector forms the floor of the labor market. Along with the unorganized private sector it seems to act as a kind of complement to the unionized sector, restoring a certain flexibility in terms of labor utilization, disciplinary procedures, and the like which the more advanced unionized firms cannot provide. The legal standards which are maintained by union political pressure limit the extent to which conditions in the two sectors can diverge and the one undermine through competition the wages and working conditions of the other. But, at the same time, the existence of the non-union sector enables unionized firms to avoid the kinds of commitments to a permanent labor force which the union rules impose,



for shortrun increases in demand which cannot be sustained. They also allow a fringe, or periphery of industrial production which requires special flexibility, because of the novelty products, the threat of foreign competition, the susceptibility to fashion change or the like. The unionized sector, on the one hand, and the unorganized and statutory sectors, on the other, could then be viewed as the primary and secondary sectors of the dual labor market hypothesis.

In the south, and in certain rural areas of the north and midwest, by contrast, the better paying, more attractive jobs pay the statutory minimum and the bulk of the available work is in agriculture and service industries that have traditionally been exempted from legal regulation. In the early postwar period, one could argue therefore that the statutory sector constituted the "primary" sector and the "exempt" sector, the secondary, but this was true only in the sense that the first held the "good" jobs and the "second" the bad ones. There was no real symbiotic relationship between them. From a systemic point of view, the statutory jobs were probably best seen either as part of the secondary sector of a national labor market in the same sense as the statutory sector of the North or as byproducts of the attempt to impose a single system on an incompletely integrated national economy.

If the unorganized sectors received little scholarly attention, even less is known about the governmental sector in the postwar period. In the Federal government and in most of the state and local jurisdictions,





wages and work rules were embodied in legal and beaurocratic regulations which aligned them closely to the private sector. Public employers were, for the most part unorganized. Where unions did exist, they were weak: public employees generally were denied the right to strike and almost never did so.



## 2. The Evolution of the American System

The system as we have just described it was put in place in the 1930's and remained essentially unchanged from that time until the middle 1960's. In the last 15 years, however, it has undergone a considerable evolution. The major changes may be summarized as follows: First, the uncovered sector has been largely eliminated: employment in the original uncovered industries, most notably agriculture, declined progressively in the postwar period, and, in 1966, statutory coverage was greatly expanded and larger farm employers were brought under government regulation. In this sense, the southern and rural areas have come to resemble that of the rest of the country. Second, also beginning in the middle 1960's, union organization spread rapidly and dramatically in the public sector and public employees assumed the right to strike. The conflict between collective bargaining and the administrative and legal practices which previously governed that sector are still not fully resolved, but the structure of the labor market and of labor relations in the public sector now much more closely resembles that of the private sector. The size of the public sector it might also be noted has expanded in most of the postwar period so that the portion of total employment for which these arrangements are directly relevant is now much larger than when the system was first put in place. Third, the size of the union organized private sector reached its peak in 1956 and began, thereafter, to decline. It is difficult to say how the growing unorganized sector is



distributed among the different labor market segments we have defined. An important part of the declining union strength is generally attributed to the movement of industry outside major urban areas and to the South, and, to this extent, one might suppose it has increased the size of the statutory sector. But as statutory coverage has expanded in these areas, many employers have begun to pay wages and institute labor practices much closer to those prevailing in union shops. Certain employers moving South have also attempted to forestall union organization by maintaining "best practice" labor relations, and the decline of the labor movement outside the South is sometimes attributed to a general movement in this direction. This probably implies an increase in employment in that intermediate sector above the statutory floor but below the union standards.

The fourth major change, however, has been an enormous expansion in the role of government in determining the substantive conditions of employment. Whereas government's role in the greater part of the labor market was once confined to procedural guaranties of the rights of union organization and collective bargaining, it has intervened progressively in the last decade to review employment conditions throughout the wage hierarchy.



The number of Federal regulatory agencies concerned with the labor market has increased as well as the personnel of these agencies. The most prominent interventions have been aimed either at health and safety regulation or the employment rights of women and of ethnic and racial minorities, but for these purposes, the government has intervened in matters originally viewed as remote from these concerns such as pay structures, systems of job allocation, and even discipline. There has been a parallel expansion in other areas of government concern as well. For example, the government has entered, through controls and guidelines, directly into the wage setting process and the Federal courts have shown themselves increasingly willing to review the substantive outcome of private collective bargaining arrangements in a way in which, for most of the postwar years, they quite deliberately refused to do.<sup>9A</sup>





## II. The French System<sup>10</sup>

To American eyes, the salient feature of the French system of industrial relations is the prominent role of the centralized state. Many of the work rules which in the United States are the subject of collective bargaining and are specified and enforced through collectively bargained procedures are in France specified in law or administrative regulation and enforced by the state. The line between collective agreements and state regulation, moreover, is by American standards blurred and confused: Thus, contract provisions negotiated by a portion of an industry in a collective agreement can be extended by administrative regulations to the industry as a whole and, in the process, assume the force of law. Finally, the state as an employer is a much more important actor in industrial relations. In contrast to the United States, public employees are more highly organized than workers in the private sector and public employment conditions thus tend to be established by the state through collective bargaining. In addition, the state controls pieces of industries which in the United States belong exclusively to the private sector, and in particular the highly visible Renault automobile company. This puts the state in a position to exercise a direct influence over negotiations in the industries which the units it controls participate.

The state role in the private sector is played through the Inspection du travail. This agency groups together powers which in the United States are dispersed among half-a-dozen major, and a variety of minor, governmental institutions. Thus the



Inspection is changed with enforcing specific governmental regulations relating to health and safety, wages and hours, and the employment of particular groups (the handicapped, women, immigrants). In the United States, these functions are performed by three different agencies: The Occupational Health and Safety Administration; the Labor Standards Administration, and the Equal Employment Opportunities Commission. The Inspection du Travail also does labor mediation, which in the United States is performed by the Federal Mediation Service, and protects workers' rights to collective organization in the shop, a function assigned in the United States to the National Labor Relations Board. In addition, individual work inspectors perform many functions which in the American system are assigned to the trade union or to management. Thus, work inspectors receive complaints about enfractations of work rules (legal rules, but also contractual and customary procedures) from individual workers: The inspector acting on such a complaint seems to work through the various stages of the typical contractual grievance procedure in the United States, trying first to mediate the dispute informally between the worker (or worker committee) and management, next moving if such informal mediation fails, to force a resolution by asserting more of his or her authority and ultimately adjudicating the dispute if necessary as an arbitrator would in the final stages of the grievance procedure in the United States.

While the State plays a more central and consolidated role in the French System, the role of worker organizations seems correspondingly weaker and more dispersed, especially at the level of the



enterprise. First, there is a split between the labor movement, which operates largely outside the enterprise, and worker representatives (delegués du personnel, comités d'entreprise) within the enterprise and shop, which are not formally connected to the unions. The latter organisms are in principle charged with matters around which there is a harmony of interest between workers and management: what would be called in the American vocabulary, integrative issues in collective bargaining. Distributive bargaining, about wages, hours, work classification and the like, where one party's gain is the other's loss, takes place outside the enterprise between coalitions of unions on one side and employers, acting through their associations, on the other. Agreements growing out of such negotiations typically cover a whole industry or regions and specify minimum wages and basic work standards; they are not usually concerned with the specific practices of particular work places. Second, the labor movement itself is split politically among several different national organizations, and in formal negotiations representation is distributed proportionately among these organizations, a sharp contrast to the exclusive representative chosen by majority vote which bargains for workers in the United States. Thirdly, strikes and contract negotiations are irregular: there is no commitment to a written signed agreement during which labor peace is supposed to prevail or a specific negotiating period. Labor seems to exercise its power when it feels strong, to retreat when weak. Whereas



strikes in the United States are self-contained, directed at particular issues in the particular work places where they occur, French strikes tend to be seen as part of a national strategy for the extension of worker gains, which will ultimately be embodied in law and administrative regulation and spread and enhanced by the state. On the other hand, conversations with participants in the French system, especially work inspectors, suggest that behind this highly visible, national labor process, worker organizations play a more complicated and more specific role. The inspectors believe that their central function is to maintain social peace, and thus regulations are more stringently enforced in shops, and regions of the country, where the workers are militant, tightly organized and well represented than in those places where they are not. The inspectors are also overworked and do not have the time to adequately investigate every shop: they are in practice much more dependent upon complaints by individual workers and on information supplied by the workers and their representative than the system as envisaged officially admits, and, again, the better organized workers are more likely to complain and better able to provide supporting information.

Given the position of the central state and its role both in extending wage settlements and work regulations and in controlling them, one can argue that the French system is a good deal more uniform than the American. Certainly this is so in terms of the basic structural features of the system as it emerged in the late 1940's and early 1950's. One would have a good deal of trouble in France of that period distinguishing





the organized and unorganized or covered and uncovered sectors in the way one can in the United States. And if one thinks of negotiations in the best organized and most militant sectors as essentially the avant-garde of a political process that will eventually act to extend the gains to all workers, even the observed disparities could be seen as a snap-shot effect which would disappear once the process generating them has worked itself out in time. When one takes account of the less salient features of day to day industrial relations--particularly the responsiveness of the inspectors to worker organization and potential militancy in the enforcement of the law--the impression of uniformity is less robust, but it is still very difficult historically to identify clear sectors.



Changes in the French System<sup>11</sup>

The French industrial relations system, like the American, has changed in the last 15 years. The catalyst of change was May, 1968, although the roots predate the period. The important modifications of the system can be grouped under five points. First, there has been an increase in the strength and importance of workers organizations within the enterprise or shop and of collective bargaining at these levels. Some of this was the product of 1968 itself, which was essentially a grass roots movement which generated a number of groups at the shop level concerned with grievances particular to their own work organization. How many survived is debatable but the tendency which they represented was enhanced by legislation expanding the role of work place organizations, and giving unions for the first time the right to organize in the shop and to participate formally in shop level organisms. The government has also tended to encourage enterprise level collective agreements and the number of these has gradually expanded. A parallel shift occurred in the philosophy of the union movement: a commitment to worker self-management as a goal, first by the CFDT and then, more reluctantly, by the CGT, has lead per force to more interest in enterprise affairs. Second, a system of formal negotiations between labor and management around specific issues at the national level has developed. The precedent for these was a 1957 agreement on unemployment insurance. But several such agreements emerged out of the effort to resolve the 1968 disputes and, altogether, between 1965 and 1975, there were ten. The growing importance of such negotiations has



led to a centralization of authority in employers organizations and a weakening of the individualism and autonomy of particular enterprises. Third, the Inspection du travail has greatly expanded and the number of personnel in that administration increased substantially. Fourth, one specific substantive provision of the post 1968 period is particularly noteworthy, i.e., the restrictions upon the right of employers to lay-off workers for economic reasons. These were initially introduced in 1969 in a national accord between labor and management: in 1974 and 1975, they were embodied in law. Such lay-offs now require the approval of the Minister of Labor, represented in practice by the inspection du travail. While requests for lay-offs are almost always granted eventually, the law gives considerable power to modify employer plans through delay and negotiation and can act as a deterrent. Finally, the cumulative effect of these changes has been a growing segmentation of the French labor market. Employers have sought to evade the new restrictions---particularly over lay-offs but also the growing power of unions generally in the shop---by systematic resort to less militant groups of workers, hired if possible through institutional arrangements such as temporary help services, limited duration employment contracts, and subcontracts to smaller enterprises where for one reason or another they are not subject to the new union and state controls. This has introduced much sharper distinctions among workers in terms both of substantive wages and working conditions and of the procedures of industrial relations than were present before.



### III. Industrial Convergence

It is very hard to know what to make of the two systems under the hypothesis of industrial convergence. The American school of industrial relations would have predicted a convergence of the French system toward the American.<sup>12</sup> And it is obviously possible to interpret many of the changes since 1968 as movement in this direction. Particularly important in the traditional interpretation would be the extension of plant level organization de facto and de jure, and the spread of enterprise level agreements. One might also interpret the restrictions on lay-off as convergent. At first glance, these arrangements appear very extreme in American terms; but several analysts who have studied their implementation have concluded that their ultimate effect has been to provide orderly, flexible procedures for economic discharge in a system which was previously very resistant to any such lay-off, and in this sense, they are not very different from the lay-off provisions of American collective agreements.<sup>13</sup> The segmentation of the labor market which has developed in response to these changes also has obvious parallels in the structure of the American labor market as we described it. On the other hand, these shifts are, by American standards, really minimal. If there were real pressures for convergence within the industrial development process, one would have expected much more rapid movement once the basic institutional channels were created. Unions have made very little headway at the plant level except in the largest enterprises: grass roots organization arguably reached a peak in 1968 and enterprise, even company, agreements are still the exception. Indeed, both employers and worker organizations in





France remain very reluctant to sign collective agreements in the American sense of that term.

The more important developments in French labor relations would appear to be in areas that have virtually no analogue in American industrial relations as conventionally understood; the expansion in the state apparatus regulating and controlling conditions in the shop and an increase in the number and range of national accords between labor and management concerning such issues as unemployment compensations, social security and adult education. The real substantive gains of French workers in the last decade are embodied in these agreements and the legislation which implements and extends them, not agreements at the enterprise level. To the extent that a greater union presence in the shop has enhanced workers protection, it is largely because it increases the effectiveness of the Inspection du travail, i.e., the state machinery. In all of these respects, the centralized state remains the pivot of the system.

Indeed, one can make at least as good a case that the American system is evolving toward the French. The American state, as we have seen, has become increasingly involved in the direct regulation of wages and work rules. The unregulated sector has been virtually eliminated by the extension of minimum wage coverage to agriculture; and substantive regulation once confined to the specifications of minimal standards has been extended progressively to higher wage jobs, many of which are union organized and controlled. At the same time, both the administrative and judicial branches of government



have become more and more involved in the substantive review of privately negotiated regulation. State regulation in the United States is giving rise to employer complaints of multiple inspections, overlapping jurisdictions and conflicting policy goals, which make it easy to envisage the ultimate consolidation of the different agencies into a single administration comparable to the French Inspection du travail. To all of this may be added the decline in the level of unionization in the private sector and the sharp rise, indeed one could say the emergence, of union organization and collective bargaining in the public sector, which American analysts once viewed as essentially European. All of these developments would, one might think, produce a labor movement in the United States increasingly concerned with political action.

On the other hand, when one actually sees the two systems in operation, it is very difficult to believe that the French system is what American industrial relations is converging toward. The French have a unified system of collective bargaining and state regulations: the one feeds into the other, both in the development of regulations and in their implementation and adjudication. The state which does the regulation is, moreover, highly centralized and integrated. In the United States, state regulation and collective bargaining are two distinct processes and the state power is itself dispersed among a variety of single purpose agencies. The system



gives rise to a variety of overlapping jurisdictions and seems to be generating an increasing number of conflicts and contradictions, of which the employer complaints just mentioned are symptomatic, and there is a very widespread concern about how the several goals which these agencies are pursuing are to be reconciled and weighed against each other and the efficiency of the productive process. While unification and integration along the French lines would resolve many of these problems, it would do so by placing in the hands of the state, and in particular in the hands of lower level civil servants, a degree of power and discretion to which Americans are in no way accustomed and which it seems doubtful that they would tolerate. Neither American unions nor American employers seem to be developing the kind of political consciousness nor unity which the French system, or the logic of the changes in the American system, would seem to require. There is a large academic literature in the United States, for example, about how public employee unions would have to operate through political pressure in contrast to the economic power exercised by unions in the private sector but the new unions in the public sector seem to operate just like American private sector unions, by withholding services at the shop level where they are organized until either the workers are out of funds or the loss of service which they normally provide becomes intolerable. The new state regulations moreover are not, as they are in France, the outgrowth of strategically planned union campaigns; nor are they extensions of best practice initiated in private collective bargaining. They have been generated by separate



political movements, sometimes with the support of organized labor but never as an integral part of labor's strategy.

While one cannot dismiss the hypothesis of industrial convergence once it is introduced, there is very little in the comparison of the two systems which would sustain such a hypothesis let alone suggest it to an observer examining the problem for the first time. One must suspect therefore that the attraction of the convergence hypothesis in industrial relations is simply its ability to cast the familiar as natural and inevitable: and to dismiss what is strange and foreign as transient phenomena with which we need not come to terms.

As noted initially, however, this conclusion poses a different set of analytical problems. The industrial relations systems of France and the United States as we have just characterized them are so different structurally that, in rejecting the notion that they are in any meaningful sense convergent, one calls into question the very concept of industrial society. A way out of this dilemma is suggested by a new approach to understanding the economic problems of western capitalistic economies known as the theorie de la regulation. And we turn in the final section of the paper to sketch out that theory and its major implications for the analyses of comparative systems. Space does not permit us to do a complete job either in presenting the theory or of sustaining its plausibility. What follows is, thus, more in the way of an example of an alternative approach than a developed argument in its favor,





although I do think that the ability of the theory to provide a common framework for the understanding of two systems as divergent as those of France and the United States increases its credibility.

#### IV. Industrial Relations Systems as Regulatory Institutions <sup>15</sup>

The central idea in la theorie de la regulation is that an economic system can be characterized by a set of regulatory mechanisms which maintain the constituent elements of the system in balance and insure adequate levels of demand and continuous economic growth. Capitalist economies pass through a distinct series of regulatory systems in the course of their historical development. Each system is defined by a peculiar set of institutions, adapted to the technological configurations and industrial structures of a specific historical epoque. As technology and industry evolve over time, they outgrow the regulatory structures initially adapted to them and the system has increasing difficulty maintaining itself in balance. The result is an economic and social crisis which can only be resolved by the development of a new set of institutions capable of regulating the system in its altered state.

Roughly speaking, three distinct regulatory periods may be recognized: First, a competitive period, when the economy was balanced by variations in prices and wages more or less as envisaged in neo-classical economic theory. Second, a monopolistic period, in which large corporations emerged exercising a direct control over markets, i.e., without the intermediation of price and wage signals and in which prices themselves were relatively rigid. The third, or contemporary,



period is characterized by the regulatory system put in place in the immediate postwar years. That system resolved the crisis of monopolistic regulation, of which the Great Depression was symptomatic, and was responsible for the prosperity of the fifties and sixties. The current problems of the Western industrial world are symptomatic of a new regulatory crisis, created by an increasing divergence between the basic economic structure and the postwar institutional structure. Both the French and the American industrial relations systems must be understood in these terms as elements of that institutional structure and the recent evolution of both as the outgrowth of the strains increasingly placed upon them. The argument is, in other words, that the structural differences between industrial relations in France and the United States mask the underlying similarity of their regulatory properties.

To see this, one must briefly characterize the crisis of the Great Depression and the solution realized after the Second World War. According to this theory, the Depression was produced by underconsumption. The large monopolies which came to dominate critical product markets in the twentieth century were able to maintain relatively rigid product prices but there was no comparable organization maintaining wages in the labor market. The result was that when profits were squeezed by declining product demand in recessionary periods, companies were tempted to restore them by wage cuts. This response was conducive to macro-economic stabilization so long as expansion centered upon producers' goods, the demand for which was directly linked to corporate earnings. But, as the economy shifted toward mass consumption industries dependent on wage earnings



for their markets, such wage cuts tended to undermine the very demand upon which renewed expansion was predicated, finally resulting in a major depression.

The industrial relations system became the key element resolving this problem in the postwar period: its essential feature was to insure that national consumer purchasing power would expand at a rate sufficient to absorb the growth in productive capacity. It is thus the institutional mechanism which had this particular effect toward which one must look to establish the comparability of the French and American systems. As it happens, in both countries, these mechanisms also imposed rigidities in relative wages: wages could no longer vary to reflect the relative scarcities of different types of labor and the systems were then dependent for their functioning upon elastic sources of labor at the prevailing wage levels. Institutions creating such elasticity are a second point of similarity in the two industrial relation systems. It is not, however, inherent in the regulatory problem itself; one can imagine institutional structures with the same regulatory properties but with flexible relative wages.

The maintenance of purchasing power in the United States is insured by tying negotiated wage increases to economy wide productivity gains plus consumer price inflation. This formula was adapted as the basic standard for future wage settlements in the 1948 negotiations between the United Automobile Workers and The General Motors Corporation. Were all GM automobiles purchased by their own employees, this would have insured the required level of automobile demand. Since GM employees in fact



spend most of their income on other products and GM demand is sustained only if the people who make these other products can afford to buy cars, this formula will stabilize demand only if it is spread throughout the system. In the United States, several different aspects of the system have this effect. Within the union organized sector itself, the formula is spread by institutional and political ties among major national unions which Arthur Ross, describing them in some detail in a 1948 book, termed orbits of coercive comparison.<sup>16</sup> In the unorganized sector the formula is imposed by the threat of unionization. In the public sector, it is spread by legislation and administrative practice which links public wages to rates of pay in the private sector. And at the base of the labor market, it has been passed on by amendments to minimum wage legislation which raise the minimum at a pace more or less equivalent to other wage movements. The one sector not tied institutionally to the key settlement has been the exempt sector, which is composed largely of agriculture. This sector for most of the postwar period contained the domestic labor reserve, a reserve which supplied the elastic labor supply which the rest of the system, tied together by a relatively rigid wage structure, required to function smoothly.

In France, the productivity plus inflation formula is a product of state policy. The formula governed wages when they were officially controlled in the immediate postwar period and, as controls were gradually relaxed in the course of the late forties and fifties, it continued to govern policy in those areas where the state still





set wages (such as the guaranteed minimum). It also served as the guide for wage setting in the public sector itself, particularly in publically owned enterprises, such as Renault. From the state controlled sector, the formula spread to the private sector. Many of the spread mechanisms were probably similar to those underlying orbits of coercive comparisons in the United States, but the size of the state sector, its visibility, the willingness of the State to intervene directly in the economy, and the tendency of unions (and, hence, everybody else) to see gains in one sector as the avant-garde of a policy that would eventually apply uniformity, all acted to hasten this development. Finally, in parts of the economy that did not respond directly to union pressure or the implied threat of state intervention, the practice of extending by administrative directive agreements negotiated in a part of an industry to the whole, forced laggard enterprises to keep pace with the core. As in the United States, this is an institutional structure in which wages are not free to respond to market scarcities: The elastic labor supply which such a system requires came in France from agricultural labor reserves, an overlarge commercial sector dominated by small family enterprises, and in the 1960's, large scale immigration from low wage foreign labor markets.

The interpretation of changes in the two systems in terms of the theory of regulations is somewhat ambiguous, but the theory as I have characterized it would imply that most of those changes were the product of social, rather than economic, forces. As such, they disturbed the postwar regulatory structure; they might have had



fatal economic consequences but in fact they did not: they were not moreover, organic in the sense of arising out of a conflict between the economic base and the institutional superstructure and necessitating a whole new nexus of institutional arrangements. Thus, in the United States, the organization of public employees threatened to displace the key collective bargaining settlement in the private sector where it was linked to the UAW-GM formula, but ultimately, it failed to have this effect. Similarly, the exhaustion of domestic labor reserves, and the extension of minimum wage coverage to the agricultural sector in which those reserves had been housed threatened the elasticity of the labor supply but substitutes were quickly found in the expansion of the youth labor market generated by the postwar demographic bulge, in undocumented foreign immigrants, and among women. Arguably, the expansion of the social security and public assistance system and of education, both in response to social pressures, also enhanced the elasticity of the labor force in a manner consistent with the maintenance of domestic purchasing power. Finally, the great expansion of governmental regulation into the traditional preserves of collective bargaining which has social origins similar to those of other modifications in the system has taken place without disturbing the basic wage formula. Indeed, in so far as the government has been especially concerned with wage parity for women and ethnic minorities, its intervention has tended to insure that the basic wage rigidities would remain in place as these groups moved from their original position as part of the elastic labor reserve into positions of centrality both in the labor force and in terms of domestic purchasing power.



The changes in French have also been absorbed into the basic structure of the system. The ultimate impact of the control over lay-offs and the increasing segmentation of the labor market has been to facilitate the development of new sources of elastic labor as domestic reserves have disappeared. The changes in the collective bargaining structure and in the minimum wage legislation have, if anything, made a productivity plus inflation structure more salient in wage determination than in the past.

The current crises in western capitalism seems to come therefore, not so much from the social changes of the late sixties but from the expansion of productive capacity in the lead mass consumption industries of the postwar period to the point where their output can no longer be absorbed in relatively self-contained national markets. National markets for these goods have in other words become saturated. The industrial relations arrangements which insure their expansion are thus increasingly irrelevant to the requirements of macro-economic regulation. Developed national economies are now in competition with each other, both for their own internal markets and for the markets of developing countries. One can argue that the changes in France, to the extent that they have facilitated industrial modernization and the lay-offs which such modernization implies, have facilitated the French entrance into this new world economy. There is a wide feeling in the United States that both union and governments imposed regulations have hampered America's competitive position, although I personally doubt they have been an important source of the problem. The basic problem, however, is the regulatory system itself: to regenerate today



the general economic prosperity which the capitalistic world enjoyed in the 1950's and 1960's a whole new structure is required, one which either permits the expansion of world markets as a whole for the lead industries of the earlier period or one which builds around a different technology and a different group of growth leaders. In either case, the convergent elements of industrial relations systems are likely to change.





#### FOOTNOTES

1. See, for example, BOUTELLER, J., J.P. Daubigny and J.J. Silvestre, [7], and MAURICE, Marc; Francois Sellier and Jean-Jacques Silvestre, [19].
2. KERR, Clark; John T. Dunlop; Frederick Harbison; and Charles Myers, [16].
3. BRAVEMAN, Harry, [8].
4. BERGER, Susanne and Michael J. Piore, [2].
5. Academic understanding of this sector is based essentially upon Slichter, Healy & Livernash, [26]. A recent study has investigated the growing unorganized sector which maintains its status through wages and working conditions superior to those in unionized firms, FOULKES, Fred, [13].
6. The classic work on the relationship between union and nonunion conditions is H. Gregg LEWIS, [18]. This work focuses exclusively upon the wage differential. Recently, Richard Freeman and James Medoff have begun to expand this analysis to a broader consideration of employment conditions in general. See, for example, MEDOFF, James, [20], and Richard FREEMAN and James Medoff, [14].
7. See, for example, KOCHAN, Thomas A., [17].
8. The classic characterization of the industrial system is Summer SLICHTER; [25]. Slichter is really concerned, however, with the unionized sector.
9. The classic statement of this position is the Supreme Court decision in the "Warrior Gulf Trilogy," See, COX, Archibald and Derek Curtis Bok, [9], pp. 604-617.
- 9a. For a review of court attitudes toward private agreements see, David E. FELLER, [12a] pp. 663-762].
10. For a detailed description of the Postwar French Industrialization System, see, SELLIER, Francois, [27]; SELLIER, [28]; DESPAX, Michael and Jacques ROJOT, [11].
11. The following is based upon discussions with French scholars and industrial relations "actors" conducted as part of a study of labor market regulation and control financed by the German Marshall Fund of the United States. I am particularly indebted to Francois Sellier; to Jacques Rojot; and to several inspecteurs du travail.
12. See, for example, MITCHELL, Daniel, [21].



13. For these points, I am indebted to Jean-Yves BOULIN of the Centre Travail et Societé de l'Université Paris 1X.
14. The theoretical issues at stake here are much broader than can be adequately indicated, let alone responsibly discussed, in this paper I am indebted for my own understanding of this literature to the work of Robert BOYER and to discussions of that work with Alain AZOUVI, Benjamin CORIAT, Francois MICHON, and Bernard Meriaux. What follows, however, is at odds at several points (in some cases on a great many points) with the views of several of these people. My own attempt to apply the theory of regulation to the postwar U.S. experience is PIORE, [22], For the original French literature, see Robert BOYER, [4], [5] and Robert BOYER and J. Mistral, [6]. See, also, AGLIETLA, Michel, [1].



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