Trade Unions and Financialization: The Challenge of Building Solidarities in Times of Crisis

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What is financialization?

- Increasing role of financial markets, financial actors and financial motives in daily life (Epstein 2005, Lapavitsas 2011)
- Van der Zwan identifies 3 main strands of literature:
  - Financialization as a regime of accumulation
  - Financialization of the modern corporation
  - Financialization of every day life
- All three have direct and indirect effects on trade unions – but little explored
Financialization and people management

• Growing attention to the ways in which financialization influences people management within organisations (Applebaum et al 2013)

• Financialization represents a *shift in* (not break with) interconnections and patterns of dominance in the industrial, financial, and commercial circuits of capital (Cushen and Thompson 2014)
  – In other words: previous patterns continue in some settings
Questions

• How does financialization affect trade unions?

• How does this help us explain the profound challenges facing unions in the contemporary economy?
1. Financialization of corporate decision making

- Changing constitution of financial markets -> growing attention to market valuations of corporations based on share price, increasing investor returns, creating market confidence
- Sources of corporate wealth appear separate from labour (Burnham 2010)
- Corporations under pressure to (Cushen and Thompson 2014):
  - Take labour costs out
  - Develop stronger hierarchical and financial controls
  - Perpetual restructuring
  - Financial engineering and doing ‘more with less’
- Employers struggle to uphold their side of employment bargains (Thompson 2003)
- Local deals (collective bargaining) risk being disrupted and broken by corporate centre: disinvestment, restructuring, changed targets
2. Financialization of public sector decision making

- Similar processes – not identical (key difference is **ownership**), but outcomes are similar
- Changes to public sector driven by pressures on governments to keep control of public debt
  - Itself a pressure of financialization and neoliberal economics
- Pressures (and often obligations) to:
  - Contract out, strip out labour costs (pensions etc.)
  - Develop stronger hierarchical and financial controls
  - Perpetual restructuring
  - Financial engineering and doing ‘more with less’
- Unions traditionally stronger here so more contested and slower – but few widespread victories
- We are seeing privatization ‘by the back door’ and contracting out, which is making it easier to emulate private sector managerial style
3. Financialization of household and individual decision making

• The wider context of financialisation impacts on households, with increased division in wealth between individuals, generations and households constraining the possibility for solidarities necessary for union renewal. How?
  – The impact of disconnected capitalism leads to pressures for lower wages, loss of pension schemes, perhaps unemployment, etc. -> reduction in personal wealth for many -> also limits ability to engage in intergenerational transfers of wealth and can create intergenerational divisions
  – Requirement to accumulate debt to finance education and training exacerbates this

• Financialization creates these divisions and also makes it difficult to build solidarities between groups of workers: indeed, wealth then used to build barriers (those with and without)

• Efforts by unions to intervene have mostly been thwarted in the UK by anti-union legislation
The perfect storm

• Union action and effectiveness in the workplace is highly constrained
• Even where deals are done, they are difficult to maintain because of pressures from the corporate centre
• Divisions between public and private, old and young, etc. often used to undermine union action
• Challenges of building solidarities when effects of financialization generate constant pressures to play groups off against each other
• Helps explain WHY unions are finding renewal so difficult
Any optimism?

• Solidarities have never just ‘existed’, they have always been created by unions, political parties etc. (Hyman 1999)

• Optimism possible but the point about fractured bargains becomes important again here:
  – In the context of financialized capitalism, it is difficult for unions to demonstrate their effectiveness
  – So new solidarities risk being transitory and ineffective

• However, financialization may not always create divisions, it may create solidarities if unions are able to challenge the naturalised discourse of financialization and the logic of profit accumulation (Grady, 2010). Unions must meet this challenge.