

Regulations and impact: a worker's perspective

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1. The nature of the problem

It is an honour for me to be one of the speaker in this conference that is a gathering of so distinguished people coming from very different places all over the Latin American and the Caribbean and representing a broad variety of political and social actors ranging from policy makers to unionists. In the letter of invitation that Mr Gustavo Marquez sent to me the scope of this conference was shortly but very clearly stated, let me quote:" There is a widespread perception among policy makers and the social partners that the efforts the region has made in terms of structural reform and economic liberalisation have not translated themselves into increased employment creation and improvement in the quality of jobs available. The fact that unemployment rates are not falling in spite of sustained growth, and that in some extreme cases they have increased to previously unknown levels, raises serious concern about the nature of the problems of labor market performance and the remedies available to ameliorate the situation." It is a very conspicuous description of a world wide situation, with only one exception, the USA, but I will come back to this point, later in my speech.

I will start from employment and I suggest that it is impossible to overcome high unemployment levels in the present liberalisation orthodoxy, hence we have to question it either theoretically and practically : in other words we need a set of theoretical arguments and a set of policies questioning this theoretical and practical orthodoxy. Why do I suggest this incompatibility ? The question of unemployment is not" a technical one about detailed ways of changing the economy, but a fundamental social and political choice of whether to accept high unemployment as a price well worth paying for regulating inflation, or whether rather to replace such brute force methods for tackling inflation with instead an approach based on consent"ⁱ and the consequences of long term unemployment on society at large are very impressive : poverty, crime, social dislocation with an overall effect of a strong polarisation of society : in UK wage inequality is greater than at any time since records began in 1886ⁱⁱ. It is very unlikely to get some kind of consent without affording the problem of

unemployment and without a set of principles and objective shared between social and political actors.

A problem thus appears of *reference frameworks* for the collective action: a set of *principles and objectives, priorities and constraints*. A. Sen in his recent essay entitled **Employment: the reasons of a priority for economic policy**ⁱⁱⁱ argues out the non-economic reasons that make it possible for a problem to acquire the status of a priority because, if it is not resolved, it has the strength to break up the whole economic and social framework, making a series of wholly reasonable policies quite senseless. The frameworks of reference are the result of political decisions, and so we go back to a problem of *legitimacy* that opens the issue of the relationship between individual nations, regional integration and globalisation, seeing that the only legitimisation existing today is at the level of national States. To European mind is quite natural to think in term of regional integration but this is also the trend in the American continent. There is thus an institutional problem in the construction of regional integrated economies, in open and strongly internationalised economy, that *cannot be resolved inductively, on the basis of market forces* that would take it upon themselves, once freed, to create the necessary institutions. *The liberal hypothesis has ended up down a blind-alley*: the structural changes, without the institutional changes, which allow us to legitimately select some frameworks of reference or integration of the scattered initiatives, lead to the creation, or the increase, of the inequalities between countries and within the member countries of regional integrated economies, this determines the stopping or slowing down of the necessary structural changes determining regressive coalitions; that is, coalitions of interest based on resistance to change - to the supranational reorganisation of the division of labour and the market - in order to protect their positions of power without being able to put forward new and alternative forms of division of labour and of market reorganisation. The responsibilities of such a vicious circle cannot be put down to the blindness or selfishness of the "different corporations" - as is customary today - but is the inevitable result of a democratic deficit, which does not allow for the integration of existing interests in a process of change. The non-integration of the interests existing in a process of change - i.e. the definition of a negotiated social compromise, as has been the case of social capitalism of the German market or of the informal social compromise of the Emilia - Romagna in Italy, or of the Italian tripartite agreement on the Industrial Relation System, known as the pact of the 23rd of July 1993 and the other subsequent two on retirement schemes (1995) and labour market and education(1996) - with the correlated social tensions that spin off from it, thus leads the political circles to miss the declared objectives, or to an authoritarian drift, or perhaps at times the two things together: an

oligarchic government that stutteringly goes ahead. It is more and more clear that governments all over the world need the consensus coming from social partners in order to restructure the social framework as a whole, but the social consensus is unavailable in the old neo corporative framework of the so called "political trade - off", between unions and employers associations, for the very substantive reason that there is nothing to return. The only way to reach some kind of social compromise depends upon a very active and purposive role of the government. Accordingly, the direction to follow in search of new policies is the definition of reference frameworks and of institutional changes to create a new legitimacy and a social consent.

High unemployment, poverty, social dislocation, social polarisation are key elements in *selecting a pattern* of economic and social dynamics that can be sum up this way : "the growing availability of undervalued labour allows firms to compensate for organisational and managerial inadequacies, delay the scrapping of obsolete capital equipment, and engage in destructive price competition. The absence of wage discipline means that technologically and managerially backward firms can survive, and this helps prevent more progressive firms from expanding their share of the market. (..) More generally, the growing availability of undervalued labour and high unemployment create the environment in which entrepreneurship takes the form of cutting pay, worsening the conditions of employment and the exploitation of low-paid labour."^{iv} This trend ,when in place, leads to other social consequences : a segmentation, rather a polarisation of the labour force because "as a result of weak demand for labour only the skilled workers get hired, even when the firms may not need such skills.(..) Thus, other thing being equal, a weak demand for labour over a long period also contributes to the observed increase in inequality between skilled and unskilled workers which has surfaced in the last two decades."^v. It is what an Italian economist^{vi} called the "low road" to competitiveness as the opposite of the "high road" to competitiveness requiring product and process innovation and a highly skilled, well motivated and co-operative labour force: a product based competition as the opposite of a mere price competition. So the high road to competitiveness is a possible framework for social consent.

I do say "selecting a pattern", not by chance, I mean that a pattern can and must be selected by political bodies. This leads to a set of practical questions:

- (a) In the first place, we have to ask ourselves if it still makes any sense to talk of policies for regional, national and local development that are not just an adaptation to processes of globalisation, which are presumed to be processes of convergence around a core of macro and micro economic 'recipes' - the

new orthodoxy - and institutions, such as the minimum State, etc.; or whether, on the contrary, locations still matter;

- (b) secondly, it is a matter of evaluating whether it still makes any sense to talk of public policies - such as active labour and industrial policies as it is the case in Europe with the Maastricht Treaty- developed by the Public Institutions and, should the answer be affirmative, in what way, i.e., with what tools and what role can such policies be developed for the Institutions, the Organisations and the collective bodies;
- (c) thirdly, we have to ascertain whether among the competitive differentials that can add value to a local context, we should consider the value of Labour and Knowledge and on which system of governance, if any, its depend.

2. Globalisation, divergent trends and the social construction of the market

I. **First of all**, the process of globalisation.

a) Global and local. In fact the main objection to realising what I call the virtuous circle or the "high road" to competitiveness comes from people supporting a very specific idea of the process of globalisation. They posit what I call an hydraulic concept of globalisation ; according to this concept globalisation is basically a process of world-wide convergence of local sub cultures - local practices - to a new international model ; as in a plumbing the level of the water will be the same everywhere. This model is totally defined and driven by market forces so strong that any attempts at setting up niches , local practices, different civilisations will be swept away by the more rational, efficient and effective way of doing, namely in business practices ; organisations of the future will be selected, in a Darwinian pattern, according to their congruence with the newly emerging model. It is not difficult to read behind these statements a very clear ideology. But is it a realistic perspective, irrespective of being desirable or good ? At a first glance it seems quite a good description of what is happening everywhere in the world. At a second and more reflective thinking it looks like a very naive way of describing what is happening. An historical perspective may be useful in defining the relationship between global and convergent forces , on one side, and local and divergent ones , on the other side. In this century, for instance, the Taylorist - Fordist model was clearly a breakthrough in the practice of manufacturing and was considered as the one best way . But what actually happened, and this pattern seems to me still in place, was that when a common core of new ideas and successful practices arise the pure model normally is overwhelmed by local "hybrids" and that this process in fact represents an important mechanism of evolution and selection in

new social forms of production . This was the case of the **industrial districts in Emilia - Romagna**. All the analyses performed on the Italian districts have stressed and demonstrated the importance of that blend of co-operation and co-ordination not guided by the price and the competition mechanism which enable the benefits of a mutual exchange of benefits from a set of positive externalities linked to what Becattini and Rullani - two Italian economists -define as the "intrinsically *situated* nature of production"^{vii}. Brusco - a well known scholar on the Italian districts - thus sums up a long discussion that dates back from the 1970s to the present day: "(...) it was stressed that the district is a community of people and companies that operates on a limited territory, where the presence of economies external to the companies but inside the territory stimulated the formation and the development of a specialised productive apparatus, in which the minor companies have a very important role. (...) the community shares values and know-how that contribute to the success of the productive apparatus. These values and competencies are translated into co-operative behaviours between companies, and between workers and entrepreneurs. Often the local institutions have an important role in guarding and fostering the growth and the evolution of the community's own characteristics. The Town Council, the entrepreneur's associations, the trades unions, the banking system, the universities, the technical colleges, the training institutes, the service centres, lay and catholic voluntary associations, are all places and forms in which the community slowly designs and plans its own future."^{viii} Much international research has analysed in detail the role of each actor and each institution and the modalities by which they have played as positive externalities. ^{ix} An analytic problem^x which has a strong correlation between the territorial localisation and the identification of the districts; this correlation regards the social and economic fabric as a whole and among the characteristics under examination there is evidently that of a form of proximity that allows for effective access and thus for sharing, among all the actors, of the positive externalities identified. From a historical standpoint, we could point out how some of these characteristics, for example, the actual system of industrial relations, is to such an extent a discriminant factor that the very presence, or at any rate, the survival over time of companies belonging to certain branches of industry has depended on the character of the system of industrial relations actually existing in that specific territorial area. This description does not imply a no social conflict situation but a way of managing the conflict in order to select strategic issues instead of corporative ones. In Emilia - Romagna districts, for instance, at the end of the 70s there was a strong social conflict on two different patterns: investment in technical facilities and highly skilled workforce together with a strong product innovation or rather in organisational rationalisation and in

those circumstances the local unions somehow pushed, by refusing any devaluation of skills, for the dismantling of obsolete firms and branch of industries; the union's attitude obliged the industrial system to shift in a higher and different competitive position. Alongside such organically social and cultural factors, like the actual system of industrial relations, there are other aspects belonging to the system of external economies, that are a blend of infrastructuring - the existence or non-existence of certain physical resources and their concrete "architecture"-, their accessibility - both physically and in terms of rights - and the existence of a culture to use them virtuously. Even these aspects have a territorial and spatial dimension that conditions the possibility to single out a local system and the birth, growth and survival, inside it, of the system of districts. In these cases one cannot think of two phases, i.e. first the existence of the material part and then the immaterial part, so to speak. What countless studies have let us understand is the close relationship between the planning of the material part and of the institutional system that defines its accessibility and utilisability.

As I argued together with a colleague of mine in a recent article : " the globalisation of national economic systems will not render the concept of localism redundant. However, any local / regional system using **locally ingrained specific resources** must be viewed in a context of global relations. More and more firms will face global markets, global finance, global technologies. What is left partially undetermined is the possibility of reinterpreting and restructuring local factors of competitiveness. Local system can decide to compete in various ways. Such competition could be on the basis of lowering input costs, or focused on the means of increasing creativity, on the search for synergies between firms, and on global networks. They can seek to create additional nodes of Intelligence within their structure and move in the direction of more value-added productions."^{xi} Therefore local system will react according with and depending on many institutional, economic, social and cultural dimensions that could not be represented only by prices and marginal costs ; among this for instance is very relevant the role played by the Industrial Relation system and by the availability of a general knowledge and by specific forms of cumulative skills.

b) Globalisation and adaptation

International opening of regional economies requires a "*structural policy* which allows for the realisation within each country of such *an adaptation in the organisation of production* as the opening up mechanism requires, so as to make the institutional change proposed with the opening *socially acceptable*"^{xii}. This not only requires the policies for the creation of the single market and for the liberalisation of the market, but also industrial policies and policies for social

cohesion, which is impossible without a strong consensus between all the public and private institutions and organisations that form the different territorial realities of any integrated economic region. It is no coincidence that in Europe among the priorities pointed out in the Delors White Book we find the fight against unemployment by means of *structural policies* such as *learning and training*, in a shift towards a selection of the reasons for competitiveness based on knowledge and the re-assessment of Labour, and the *development of new sectors of activities*, such as health, culture and the environment, thought to be capable of creating new employment, both in the quantitative and in the qualitative sense of the term.

c) the balance of innovation

But the problem of innovation is critical not only as a general societal problem but also from the view point of single firms, as we, I mean myself together with some other colleagues, recently argued: "There is little doubt left that new forms of work organisation based on high skill, high trust and high quality are a core element of very productive, efficient and innovative companies in all sectors of industry and services. The economic success of these new production systems has been proven by innumerable case studies throughout the last decade (..) Companies in different sectors and of different size could improve their productivity and innovativeness by changing their old models of work organisation. From these cases we learn that increases of productivity of 50% or more can be achieved, and in the same way stocks and throughput times are reduced to the half ^{xiii} (..) However, this relationship between work organisation, productivity, competitiveness and employment is not as clear as it seems to be at first glance. A number of relevant studies is arguing that higher productivity leads to a decrease of demand for human work in highly productive companies and that this reduced demand can neither be compensated by a better overall performance of the single company nor by positive developments of the general economic conditions. Without trying to discuss in detail the complex (and even not finally explained) relations between productivity, wages, prices, investments, national and global market developments and employment, only one aspect closely linked to the introduction of new forms of work organisation is to be stressed here which definitely reveals fundamental economic implications.

An increase of productivity means by definition that the same amount of goods or services is produced with less people. And it is very unlikely, particularly in the recent economic situation, that this decreasing demand for labour can be compensated only by selling a higher amount of the old products and services and without a successful development of new products and markets. Thus, a balance of innovation is needed, i.e. a balance between the improvement of production processes on one side and the development of new products and markets on the

other side in order to use the full potential of new forms of work organisation. There are strong indications that in Europe this balance of innovation has not been kept, since the prevailing focus of innovation is directed towards the improvement of production systems and overall business processes, cutting costs and enhancing productivity, but largely neglecting the development of new economic activities. In a report to the German Work and Technology Programme it is stressed that "innovations are not sufficiently used for the development of new products, new business areas and new markets". And, likewise the OECD is stating that a strategy exclusively aiming at the reduction of costs and the innovation of processes is part of a wrong adaptation to structural change in the global context. These pessimistic statements about trends of innovation in Europe are also supported by empirical findings. In the European company survey mentioned above about 50% of all workplaces could reduce the number of their workforce after introducing semi-autonomous group work. These figures are somewhat lower concerning other new forms of work organisation, but as a rule it can be said that there is a strong correlation between the efficiency of work organisation and the direct decrease of employment at a certain workplace. The stronger the economic effects of new production concepts the more likely it is that managers report about a reduction of employment as an immediate effect of this organisational change. These findings conform with experiences from a number of case studies: Under the label 'cost reduction' management are reducing the workforce, compensating this reduction by a more efficient use of remaining employees. 'Lean production' quite often means 'lean workforce', and 'flattening of hierarchies' is implying the reduction or even the abolishment of middle managers. In the medium term, these immediate effects of a higher productivity through new forms of work organisation are partly compensated: Within the last three years about one third of all the companies introducing new forms of work organisation increased employment, about 40% had stable employment and about one quarter reduced the number of employees. But, the number of companies which reduced their workforce is considerably higher among workplaces which did not change at all. A very tentative interpretation of these findings now would be that the overall labour market effect of new forms of work organisation is about zero. In most of these workplaces employment is stable and the amount of companies with either a decrease or an increase of employment is about the same. These trends are also confirmed by empirical research from Scandinavia: In a Swedish company survey it turned out that both, the flexible work organisation and other companies reduced employment considerably between 1990 and 1993, but the flexible companies performed slightly better (-22%) than the rest (-26% employment). It means that also the flexible firms were only very little successful in fighting general trends on the Swedish labour market. A similar view is shared by a number of other studies that find

neither positive nor negative overall employment effects of new production systems (cf. The OECD Jobs Strategy, 1996). But, as particularly the results of the European company survey are suggesting, there seem to be two different groups of companies with new forms of work organisation or with a “flexible organisation”. There is one path of development in the companies which is highly appropriate for the creation of new jobs, whereas other models of renewal seem to have no or even negative employment effects. Thus, it is necessary to further explore these two different paths: On one path higher productivity goes along with higher employment whereas on the other path productivity is enhanced but the labour force reduced.

We strongly assume that these differences can mainly be explained by a balance of innovation in the companies with a positive employment development. Very likely these companies are not only innovating their production processes but in the same time are successfully innovating their products and thus - in the long run - are able to increase their market share and produce more goods or services, thereby compensating or even over-compensating the negative employment effects of higher productivity. Such a correlation between process innovation, product innovation and employment has been proven by a recent investigation into German investment goods industry: A comparison between companies without product innovation, with little product innovation (less than 25% of their turnover) and with a high degree of innovative products (more than 25% of turnover) reveals a close correlation between the degree of innovation and the increase of annual turnover (Lay 1997). As the author of this study is stating: "Growth of turnover and job security (...) are closely linked to the capability of companies to develop innovative products". And, moreover, the capability for product innovation is closely linked to the innovation of production processes: "Process innovation becomes the key to innovative products. New production concepts offer the chance to improve the capability for innovation and to enter markets which are not dominated by cost competition and which are open to growth".

To summarise the main arguments:

- the capability for innovation of both processes and products is closely linked to new forms of organising work within the company;
- in order to increase employment companies have to balance process innovation and product innovation;
- only a part of those companies that renew their organisational structures is keeping this balance; most companies are mainly aiming at the improvement of production processes.

We assume that companies following these different paths are driven by fundamentally different concepts and strategies of innovation which we label the high road and the low road of innovation.

Before discussing these different concepts in more detail, it has to be emphasised that both of these roads are aiming at new forms of organising production processes, even if the low road approach is still closely linked to traditional Tayloristic thinking and acting. In literature and in the political discussion quite often both these types are regarded as "flexible", "innovative" or "advanced"; the fundamental differences are largely neglected. However, with respect to employment the differences between these two types are of fundamental importance.

But one important fact should not be forgotten when discussing these different concepts of innovation: Beyond the low and the high road of innovation there also is an old road on which almost everything remains the same. This absence of any substantial change is endangering employment even more than the low road approach, since many of those companies on the old road will hardly survive the pressures and constraints of global competition. And it has to be stressed that there still are much more European companies on the old road than there are on the two new ones."^{xiv}

So the *balance of innovation* is a very critical indicator at each level of analysis the micro, the meso and the macro ones.

d) countries and regional economic areas

But Bianchi warns us that during the phase of Economic Union and not just customs union, in any integrated regional economy, the adjustment is not only within the countries but must occur transversally among the countries. This European vision of the process of structural readjustment reduces the weight of the old strategy of national champions both in favour of the processes of concentration at European level - the traditional French approach of the "champions", transferred to European level - as well as by means of a *re-evaluation on the "territory"*, a classical German vision. The territory becomes a complex concept in that it integrates different functions that range from training to services; the territory is the primary site for European investment oriented towards the integration and development of the Economic Union. The re-evaluation of the role of the territory - and therefore of the regions - paves the way to *European federalism* as the only feasible institutional framework in a democratic Europe.

3. As to the social construction of the market

it can be remarked that the market is a social construct: "For this reason Smith, the ideologist of the market society, offers a broad justification for the role of the state in developing those public goods which serve to identify the sense of community, and thus to identify the rights of citizens, such as defence, justice and order, as well as schooling and health-care. If the market is based on the recognition of individual property rights, collective actions which enables the development of social efficiency requires the *affirmation of collective rights, allowing the individual to develop his or her own capabilities*, in a context of trust among the different members of the community."^{xv} The opening of the market and the creation of regional integrated economic areas leads to an extension of the market that makes different communities come into direct contact with different individual rights and different common public goods; they must therefore reciprocally acknowledge, and thus redefine, both individual rights as well as those common public goods that establish the rights to citizenship. To the extent of what has been said above, such a re-discussion/re-definition is not possible by only pausing to reflect on the formal rights but must also touch upon effective rights, what is needed in other words is a framework of reference that **convinces** each community and, I might add, the interest groups of the fact that the process of readjustment, dynamically but with a politically appreciable timing, makes efficiency and fairness, change and stability live together; this is the process that Dahrendorf calls the transformation of the *entitlements* into *capabilities*. From here the rediscovery in Europe, as a core of the Union's policy of local levels - districts, systems of small and medium enterprises as clusters and networks - and: "The emphasis on real local situations, which becomes necessary in a federalist-inspired transformation, involves not just the definition of a means for stimulating private initiative, but also of ways of guaranteeing public action in a context characterised by complementary historical experiences, which in going ahead with the process of integration must be capable of complementing each other, in order to avoid a return to a position of closure."^{xvi}

Conclusively, the European lesson delivered to us by P. Bianchi tells us that European competitiveness does not simply spin off from the liberalisation and opening of the market but from a complex process of institutional, social and economic adjustment, that requires a development of democracy and social cohesion. This is impossible without the direct involvement, with resources and powers, of local communities and interests at play. This sort of approach, I should add but I shall be returning to this point later, already lays a claim on the contents of these policies because it is clearly unthinkable to let all the dimensions coexist if not with the prospect **of a selection of the reasons for**

competitiveness based on the utmost exploitation of the resources of knowledge and skills of the European Union. Industrial policy, which at last reappears as one of the actions of the European Union, belongs to this context. I would also like to add that in this perspective, and I shall also be returning to this point, industrial policy is not just a way of dealing with market failures, and thus with also the problems that the market alone is not able to deal with - a classical example is the basic infrastructuring of a territory - but rather a way to select, on the basis of public discussion, a development pathway among all the possible ones. So it not only has a status of being complementary to public action but is the construction modality of a framework of reference, a set of unifying values and policies, that is, a guiding public action that creates *a new class* of public goods. Does the necessity of public policies imply to come back to the old concept of planning? Does it exist another road between the old concept of planning and that of the market as supreme regulator? the way of skipping from this alternative is that offered by the concept of *governance*. The meaning of *governance* - a concept that was born out of the studies of comparative industrial economics - is "a method or system of government or leadership"^{xvii}. In this context it stands for a system of government based on the presence of many different powers operating autonomously but within the framework of a system of rules and institutions that enables all the actors - taken as a whole - to define, step by step by way of negotiated conflicts, a dynamic equilibrium of the powers at play. Naturally, this is only possible when and if some general values are shared and a certain degree of reciprocal trust can be set up. We can for example speak of the governance system in the car sectors of different countries and/or regions, taking into account the system of laws and regulations as well as the system of industrial relations, both the formalised one as well as the non-formalised one. We can thus distinguish between different historical periods in a given system - such as a sector, a region, etc. - that vary from a situation of stability - changes that dynamically readjust the equilibrium - to situations of structural disequilibrium among the forces at play. In these cases we have the crisis of the old paradigm in a way that is analogous to the one described by the theoreticians of the regulatory school.^{xviii} If we turn our attention to Emilia-Romagna, as a general example of these kind of processes, it is evident that today the situation is a risky situation: there is the risk of a crisis and not of a pure adjustment. There are 'modernisers' who think they can **substitute** one model with another, liquidating the capacity for strategic thought and the powers of intermediation as a conservative residue: "there seems to be emerging a harsh neoliberalist reference framework, preoccupied with efficient and effective delivery, from the point of view of costs, of projects determined by the client."^{xix} But a shared symbolic horizon has something to do with identity,

both personal and that mediated by the organisations, and thus with the possibility to grasp a change, on the part of the majority, a possible route of personal growth; this requires an equilibrium between solidarity and competition that cannot come from political action and not from the market pure and simple. From here the abstractness of the 'modernisers', exactly in the moment in which it is necessary to define a broader agenda oriented to certain objectives. "In short, the political culture seems to go exactly in the direction opposite to the one necessary to pursue a process of creative institutional path-shaping"^{xx}. So it is a question of giving shape to that **experimental regionalism** that Sabel^{xxi} speaks of and that requires "a change in the role of political leadership, from a culture of service, or command, to that of the management of autonomous networks and 'mobilisation' of the 'intermediate institutions' (intermediaries) to develop and sustain experimentalism"^{xxii}. To put it another way, there is no convergence between the strategies of the different actors at all levels i.e. macro, meso and micro. Contrariwise, when there is such a convergence this depends largely on a set of **intermediate institutions** and rules artificially created to allow the system to reach a virtuous condition. this set of intermediate institutions and rules are what I call *a new class of public goods*. This description of a possible use of the concepts of governance and of the intermediate institutions may be of practical interest because it allows us to analyse the situations in which we try to export or import a model of action - whether it is a matter of a new managerial technique at the company level, or whether it is a question of a different regulatory criterion for labour, at meso or macro level - to evaluate how to orient the public policies ***in such a way as to select the modalities for learning and readjustment***. A straightforward way to clarify my concept is to state that in a situation of crisis there is a large set of alternatives available but that they cannot be adopted liberally; because they are interconnected according to degrees of congruence that are more or less rigid. In short, we have to choose profiles of action that are structured and alternative to one another.

4. As to Labour

We can summarise these arguments from the Labour's perspective this way:

- a) A mere corporative perspective is a deadly mistake for Labour because it is impossible to find the way of a real social compromise without a strong engagement of public authorities not as mediator but as builders of reference frameworks and active players in selecting the pattern of competitiveness of that region or nation or local reality.

- b) Social dislocation and social polarisation cannot be afforded in the framework of a traditional neo corporative tripartite agreement; it means that in that framework unions run the risk of disappearing (see the ILO figures on unionisation rate in the world).
- c) Unions must become strategic players at all societal levels (macro, meso and micro), with an autonomous perspective, because their behaviour matters in selecting the pattern of competitiveness and so far in selecting the possibility of a positive social compromise; their behaviour matters also when it is not the fruit of a critical reflexivity, in this case regressive coalitions come to existence.
- d) At different societal levels, there are different strategic issues at stake for the Labour movement: at the macro level what is critical is the creation of a Knowledge based economy; at the meso level, the creation of intermediate institutions to support the high road to competitiveness; at the micro level the balance of innovation.

To make a long story short:

5. Knowledge based economy and the critical role of tacit knowledge.

It could be argued that *locally ingrained specific resources* do not exist any more because of the globalization. At this point normally technology comes to support this perspective : ICT technologies, the *networked economies*, the *death of distance* are metaphors used to argue that it is possible a strong dispersal of the labour force and of sites of production following the flow of cheap job along the world, that it is possible to automatise and to encapsulate most of labour skills inside machines and programmes - as one of the guru of this techno - fetishist approach says, everything could be transformed in bits - and for the remaining a good cocktail of segmentation will make the system running smoothly. These assumptions basically are false : the knowledge economy and the role of the so called tacit knowledge are clear indications of the inconsistency of this technocratic point of view. As some economists point out (Lundvall, 1996) the century long trend towards formalisation of human practices is a never-ending process because each part of human practices transformed in a formal procedure requires in turn new ambivalent kind of knowledge - I mean concepts and ideas that it is possible to utilise and to interpret in a plurality of ways - and this is true not only for high tech or high skilled jobs but at every levels of the job ladder ;it could be also added that this kind of knowledge, that could not be transformed in bits - it is exactly what is considered the core of the new economy. Unions must support this view by

asking precise programs to develop this perspective not as an elitist choice but as a mass orientation.

6. The role of intermediate institutions

The creation of intermediate institutions by public authorities does not mean that there is an omniscient 'Big Brother' that defines the actions allowed and the prohibited ones, but that a cross-fertilisation is determined between positive experiences, the institutionalisation of the cognitive elements and practical knowledge that derive from it, and those forms of positive thought, available on an international scale such as scientific and technological knowledge. The specific form of the local system of *governance* - for example, the System of Industrial Relations, the education system, the complexity and completeness and accessibility of a system of rights to citizenship - produces an alternation and an overlap of moments of convergence and divergence between that given system and the external pressures. From the point of view of the labour movement this process of institutionalisation is very positive and must become a demand to public authorities.

7. Balance of innovation and Organisational change.

What was said on tacit knowledge is true also for organisational change : Innovation does take place within informal dimensions, through experimentation unforeseen by organisation charts and through the practical assessment of the results. Removing these informal elements has been a must for the Taylor-Ford type of organisation in many ways, the experiment of turning these friction factors into production resources is to be ascribed to the so-called *Toyotism*. In this perspective the organisation is seen as a population of communities of practice. The "autocratic" use of the communities-of-practice appears to be an illusion. Indeed, the idea of supporting and improving them while controlling at the same time their influence on the ruling system is deceiving : the utilisation of the informal dimension requires a shift from a parametric rationality to a strategic one. To sum up, the problem is not only a matter of adaptation of people to a linear process of implementation of a well defined knowledge but is a dynamic process of learning that is not a passive adaptation - to make a virtue of necessity - but a **bilateral process of mutual adaptation** between concrete actors - with their own strategies, their own cultures, their own values, etc. -, concrete institutions with their inheritance and a newly emerging general social knowledge world-wide available. So doing it is

possible to look at the problem of real change in organisations in a different way. The problem can be split into two different and related set of issues: the one concerned with the **setting** of the process, the latter with the **substantive** issues. I will restrain myself to the setting issues and as to it there are two interrelated set of problems concerning the way in which the process of change can be legitimised :

- a) socially and collectively. It means to deal both with the institutional, political and social actors - such as the supranational authorities, National States, Regional governments, parties, unions, faiths, environmentalists, consumers, etc. - and with the industrial actors - Unions/Employees and Employers' Associations/Managers. The process of change - its aims, its values, its methods, etc.- has to be somehow legitimate in each point of this field in order to gain some kind of support.
- b) by the persons directly involved in a concrete process of change. It is something beyond politics; it is the subjective side of a process of change. Otherwise stated it deals with the willingness or not of individuals and groups to be actively committed to the change process.

Management literature tends to underestimate the overall implications of the fact that it is necessary to have the personal and direct participation of those involved in production so as to mobilise the human potential present in the organisation. In fact there is no precedent of this kind of participation in the history of industry. A virtuous circle can only be set into motion if there is this personal and direct participation : new forms of firm and work organisation that encourage group work that will then form the foundation for integrated work. If it is only possible to liberate human potential through the personal and direct participation of all the workers then the nature of the relationship between management and workers radically change. There isn't a situation where management has a complete and positive knowledge of everything that must be done, so that they only have to transmit it. On the contrary, management must control a process that they only have partial knowledge of. They only have some indicative criteria, new technologies and elements of positive knowledge at their disposal. Therefore management cannot assume a fundamentally pedagogic attitude but a political one: in other words, they should encourage the emergence of rules, syntax and institutions that allow the development of a collective learning process in the most economical, simple and short a time as possible. A word normally in use in this case is participation , but this is very ambiguous and catching all concept. In the perspective I am sketching, what is relevant is that it is possible to order someone to perform a task, follow a certain standard but not to be active or to participate. This fact reveals a considerable void in traditional management techniques because if what is necessary cannot

be ordered, then the aspect of establishing rules, syntax and institutions becomes predominant - what's called a setting - thereby allowing a greater probability of obtaining personal and direct participation. This means creating a setting that sets in motion a collective learning process.

We are dealing with a theme that has high political importance. I would like to outline the main problems that this issue entails. In recent years there has been the development of two courses of research on the direct involvement of people in the firm. The first course was aimed at overcoming problems in relations with union organisations outside the firm. In fact, the importance of having firm councils that are as far as possible independent of the unions, intended as general and national organisations, was stressed. French law that introduces the workers' right to be represented whether or not there is union presence, is a law that is going in this direction. However the second course of research privileges the relations model based on representation, in other words firm associations that are in some way linked to union organisations like in Italy and Germany.

Recent international analyses (W. Streeck, 1995) have compared these tendencies by theoretically evaluating them as models or practices. The result is that the two processes, that seem completely different, show the tendency to integrate in everyday experience. Nevertheless, the participation model that privileges independent firm councils, often generates real "cul-de-sacs" in the management of reorganisation processes and firm innovation. In fact at the first difficulty encountered in the process, the absence of a more general representation structure, like the union, provokes a situation of total conflict where the entire innovation process is brought into discussion. Therefore the possibility of making the conflict in some way physiological is missed out on.

But also the other model, the more traditional one that emphasises representation, has serious problems : often there are confused situations where it is no longer possible to reconcile representation and management. The reasons are evident : these systems are efficient in producing a structure of regulations but when they have to take on board the daily management of the participation process, it creates a confusion in roles and figures and it provokes a chain reaction that inundates everything.

The conclusion is conceptually banal, but on the other hand, politically complex. It means constructing integrated processes that do not confuse the function of representing with that of participating. In my opinion, the only way to produce a situation where it is possible to have the two functions working in a productive relation of exchange, is to construct a setting that establishes the roles and reciprocal relations between the two functions. This setting must be able to cope with the problems presented by the evolution in the world of work.

- ✓ Obviously the first aspect has to do with the rigorous distinction in roles. However both parts should not try and deceive the other side, as happens when the representation structures are attacked to make them obsolete and to liberate, as is said, the potential for participation. I refer to the attempts to remove the powers of negotiation and the democratic legitimisation that these structures have.
- ✓ The second series of problems that the setting must confront is the necessity to create ad hoc structures aimed at participation. There are numerous examples of these structures : joint committees or technical commissions, etc.. The important thing is to avoid confusing strategies.
- ✓ The third aspect concerns the rules of the setting. These must be defined with the representation system because they constitute the basis of trust in reciprocal relations. Therefore they must be legitimised and shared by both parts so as to avoid going back to the old logic of power relations. Such rules must produce two distinct phenomena :
 - a) Everyone must be aware of how the changing process is evolving. In order to do this, evaluation structures should be set up to allow a transparent feedback process. It is extremely dangerous to try to hide anything from one of the parts because when the representation of the process becomes aware of the actual state of affairs, tragedy strikes. The technique of evaluation studies is a very effective method of maintaining dialogue between the parts.
 - b) Every time new problems are encountered, there should be procedures that allow them to be confronted by defining main rules whose task is to define general rules.
- ✓ The fourth aspect that concerns the representation and participation systems has to do with the construction of new social structures within the workplace. Even in this case, it is necessary to define main rules, even banal ones that are nevertheless of enormous importance.

Ladies and Gentleman,

as I said at the beginning of this speech, the USA are in a different situation but not so different as normally people believe. In the 1930 a British economist, Joan Robinson, coined the concept of "disguised unemployment" that is additional employment "in excess of that which might be expected from the growth in effective demand"^{xxiii}; let me quote Robinson:

" Thus, except under peculiar conditions, a decline in effective demand which reduces the amount of employment offered in the general run of industries will not lead to *unemployment* in the sense of complete idleness, but will rather drive workers into a number of occupations - selling match - boxes in the Strand,

cutting brushwood in the jungles, digging potatoes on allotments - which are still open to them."^{xxiv} So there will be a dual or rather a segmented economy in which in the advanced sectors - for technological or other reasons - the level of employment is determined by effective demand and adjusted accordingly, in the backward sectors - that is non competitive sectors or sectors not exposed to competitiveness - is determined by the supply of labour and in this case, only in this case, the impact of labour - market policies will be relevant. In the first case, in fact, wages measure the productivity, in the latter wages are reservation wages and the willingness to accept it depends on labour - market policies such as higher or lower unemployment benefits, low - productivity sectors subsidised, etc. The point of Joan Robinson argument is that in the case of disguised unemployment: "unemployment existed before the revival of investment took place, even though every individual worker was busy all day long."^{xxv} Accordingly to this conception, unemployment figures were calculated again and in 1990 the " true " unemployment rates in USA and UK are twice the " published " ones^{xxvi}. My point is that it is a myth of the present economic orthodoxy the idea that the level of unemployment is nothing to do with macro - economic policies - such as industrial policy - but solely a problem of the labour market ; this is the reason why Labour movement must be engaged on macro - economic policies and not restrain itself to traditional corporative agreement or solely to labour - market policies.

USA did a very unique policy - based on their role of hub of the world economy - they developed at the same time advanced sectors based on product innovation and traditional, when not backward sectors, on the basis of reservation wages and a strong deregulation of the labour market; they reproduced the world wide social differentiation in one country. It is questionable if this policy might be a long term perspective for the USA, what it is not questionable is that this road is unavailable for the rest of the world; we have to choice between the low or the high road to competitiveness.

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