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Labour markets and Labour relations in industrial districts

Jean Saglio

Efficient labour markets are main resources for local firms development in industrial districts (ID). As most of the small and medium sized firms, ID firms use not to internalize and control inside themselves management of labour and industrial relations. Most ID analysts agree the fact that labour markets of these locations are very active, especially for the central skills of ID. Local entrepreneurs use to find, locally, manpower with skills and training they need; local customs rule earnings determination and labour relations. Paradoxically, such a record is quite common but studies directly centered on such topics are quite rare (Daumas 2007:31).

Alfred Marshall (1890) underlined this resource in words Clark Kerr (1954) used again in his definition of labour markets: ‘Employers are apt to resort to any place where they are likely to find a good choice of workers with the special skill which they require; while men seeking employment naturally go to places where there are many employers who need such skill as theirs and where therefore it is likely to find a good market.’ Sebastiano Brusco, in his seminal 1982 essay, also focused on Emilia-Romagna labour market as basic resource for local economic performance. He described a segmented labour market, where, as usual in such analysis, large firms with strong employees unions were the primary sector. As usual in such analysis, small firms employees and self-employed people of industrial districts were in the secondary sectors. Some of them were craftmen with very specialised skills and could know pretty good working and wage conditions, but most people of these sectors endured bad employment and working conditions, low wages and employment uncertainty. However, such a system could adapt to economic variations of uncertain demand and in some parts of these secondary sectors, workers knew better working conditions.

Such an analysis underlined both the importance and the difficulties of labour markets studies in industrial districts. Obviously such analysis is quite important to understand social process of manning and skilling and manpower adaptation to economic variations. But, most of the times, the « web of rules » that regulates these labour markets are mainly informal and seem not to be stable, as Marshall observed for the local skills. Some important institutions for the local labour market, as universities in new high technology ID, are regulated outside. Collective strategies, notably for employers, lie on improbable returns and out-market resources (Saglio 1991).

Using our observations in the plastic moulding industrial district around the french town of Oyonnax (Raveyre and Saglio 1984; Saglio 1997) and results described in literature, I shall demonstrate that labour markets analysis may improve the understanding of economic dynamics in industrial districts. The first problem is to identify the various institutions involved in labour markets local regulation. By focusing the analysis on the specialised part of labour market, one can have a better understanding of the local process of firm foundation. Regulation is not consensus and labour markets analysis can also give indications to understand local conflicts and crisis.

Labour markets as local institutions

Clark Kerr’s classical definition of labour markets put the emphasis on the local history contingency of such markets delimitation. They are locations where employers use to seek employees and employees use to seek employment (Kerr 1954). Balkanised markets have few influences on each other. Reversely, in the ‘segmentation’ theory of labour markets (Berger and Piore 1980) there are linkages between the various segments, and dynamics of primary
segments explain situations in secondary ones. Brusco first hypothesis uses this segmentation interpretation. But he also noticed marks of relative autonomy in the regulation of industrial districts labour markets, especially in wages determination. ID existence implies there is some strategic coordinations, especially between the employers and with local government. Collective actions for housing, schooling and training, are quite common and are areas where some autonomy of local actors is possible. Such collective actions, when existing, create a local ‘common ideology’ (Dunlop 1958): each actor knows the expected roles and strategies of others, they share a common system of interpretations of actions inside the local system. Such an approach is similar to the approach where ID are seen as ‘epistemic communities’ (Håkanson 2005), although it is focused mainly on labour market regulation. Such a regulation (Reynaud 1989) is rather a system of conflicts resolution than a consensus. Francesca Carnevali (2004) underlined rightly: inside IDs, conflicts are not unfrequent and survival rests more on conflicts resolution collective ability than in avoidance of them. As usual in industrial relations history (Commons 1909) conflicts are an usual stage for ID modernisation (Cottereau 1997). As we tried to establish for Oyonnax district (Raveyre and Saglio, 1984), this autonomy hypothesis leads to a better understanding of internal dynamics and regulation.

Even without any formalisation and common formulation, customs and informal rules regulates the local labour market. Employers know what they have to do in order to find skills they need; employees know what – wages and employment conditions - they may expect from employment. Everybody knows institutions usually in charge of informations, manpower training or conflicts arbitration. ID labour markets are then a form of ‘internal labour markets’ (Doeringer and Piore 1971) where most of the rules are only informal. These rules often are the way of linkage between various competition areas: for instance, no poaching rules are frequently informal (Billette and Carrier 1993) and rule firms interactions which may concern also technical ou trade competition. When the firms average size is low, the external regulation rule many subjects - and notably labour relations - which are internalised in larger organisations; when collective actions are necessary and usual in the local dynamics, rules are also more complex and directed towards various topics. In this way, local regulation rules collective management of jobs allocations, earnings determination, employees careers and mobility rules, formal or informal process of disputes resolution; migration policy, schooling and housing programs and also knowledge spillover, research and technological policy may also be linked with such regulations.

Many local institutions may be concerned with local labour markets. Formation and training are the main areas of collective and public actions. During the first XXth century decades in Oyonnax, a local public school was created and specially devoted to clerks training; workers technical training was mainly on the job and secondly in the local union ‘Bourse du Travail’. After the second World War, the same school had a new workers section for metallurgists and moulders for local industry; after the mid seventies crisis, a new school for plastic moulding engineers was added. Examining such a local history leads to understand evolution of the share between on the job and school training. New technology clusters need for numerous academic trained people and many of them were growing nearby major universities. But, on the job training and benefits of mobility, even in new forms, are always present in new technology clusters.

In old ID, gender, ethnic and local origins are often linked with schooling in recognized skills and jobs allocation. During the early seventies in Oyonnax, jobs allocation was usually easy to observe; workshop unskilled workers and plastic moulders were men, non european immigrants (turkish and north africans); foremen were european immigrants men (italian and portuguese); skilled mould makers were french men; clerks were french women and non european immigrant women were home workers, assemblers and stickers. Same findings were
true for many large French firms before the Second World War: networks and migrations flux were the way of manning many large firms; in a situation where training is mainly on the job, social networks are the way to insure the success of social integration for the new employee. Employees’ skill derives from his origin (Burdy 1989).

Housing programs are one way local government support the industry: local housing policy may favor specific groups. Local government may use housing program to support an economic policy: after the mid seventies local crisis, Oyonnax local government, with a mayor who was member of French communist party, developed a program for housing and welcoming middle class and technicians families rather than only industrial workers as before. This local government was also strongly involved in the creation of the local engineers school. Clearly, such political choices were linked with the belief that economic competition in large production and low prices markets was finished for the local industry. Action on labor market, by the way of housing policy, was an economic strategy to strengthen industrial district.

What kind of institutions are frequently involved in manpower production and jobs allocation? In usual internal labor markets, where leadership is assumed by large employment organizations, rules are explained in formal agreements and formal selection criteria are those legally in use inside the bureaucracy. Jobs allocation institutions, and mainly schools, are specialized for this purpose. Jobs allocation institutions in ID are often more complex and uneasy to identify and analyse. Watching the mountain migrations Laurence Fontaine (2005) draws a model which can be used in most of industrial districts: for many migrant people, after mobility, strategies and behavior patterns are rooted in - and explained by - origin society customs and not in the present ones. Institutions involved in manpower production are not only functional ones as schools and formal training institutions; families - and eventually tribes - structures of origin society may be involved as labor markets institutions. As usual in most of labor markets, jobs distribution is gender ruled. Many observations insist on the role of ethnic distribution in jobs allocation.

**Setting up in business**

Paradox of the average size of firms in industrial districts is often underlined. Frequently, in spite of global economic success of the local industry, the average firms size does not grow. As often observed (Saxenian 1992; Håkanson 2005: 450; Maitte 1997: 1281), district economic vitality relies on a high rate of setting up in business and rapid firms turnover rather than in every firm individual performance. Very dynamic ID have both, individual firm growth and numerous start-ups (Bresnahan et al: 836) but they always have a high rate of firm turn-over.

Strictly defined, the concept of labor markets is allowed only for analysis of employees job allocation, training, determination of wage rates and careers. Employers situations and careers are not included in such markets because they are not the result of individual transaction between two independent actors – employer and employee - but follow individual decision. However, one can use local labor market analysis as a way to describe the social stratification and the careers of people working inside the locality. In such a meaning, study of the positions and the careers of self employment workers and employers is possible. As observed also outside of industrial districts, people who try to begin new firm belong to precise social groups or networks. Watching registrations in the Oyonnax « Registre des Métiers » shows that the self employed and firm beginners are members of the same social groups than employees: French men begin firms in mould making industry, European migrant men in plastic moulding, and even some non European women in assembling and sticking.

Empirical studies in ID frequently recorded that financial capital ownership is not the
condition of self employment and beginning firm. Potential entrepreneurs group is not characterised by capital ownership. When useful they can find locally financial resources. Oyonnax local banker succeeded by providing capital to local workers other banks never accepted to support (Saglio 1997: 453-456). Financial institutions supporting new firms – private banks, regional or local government funding organisations - are frequently active institutions in modern clusters. However, they are not absolutely essential institutions: in beginning clusters of new technology, entrepreneurs economic supports are less influent than in mature ones (Bresnahan et al. 2001: 842). As in mountains «necessity industry» analysed by René Lebeau, the lack of resources was sometimes a rough incitation to industrial innovation and development. Reversely, economic growth of industrial district lies on the presence of a financial institution devoted to entrepreneurs aid.

Individual propensity to self employ or to firm begin is not strictly correlated to capital ownership. Watchers also notice that self employment usually appears in situations where there is a strong proximity, and often familiarity, with other self employed or entrepreneurs (Feldman). Entrepreneurs usually are imitators: the new firm uses the same markets and technologies beginner knew in his precedent working place and he uses procedures known by network proximity (Arocena et al. 1982). Compared with members of these networks, innovations of the new firms are most often limited.

Entrepreneurs networks are frequently rooted in peers groups. But many definitions of peering may be useful. Training in the same institutions is one among the various group definition for local entrepreneurs. Silicon Valley or Route 128 entrepreneurs come from nearby university (Saxenian 1994). In such cases, proximity has a quite direct economic sense: peers share the same professional project and beginning a firm is a way of achieving such a project. In ‘old economy’ ID peers groups of firm beginners are rather employees in the same situations: their initial professional project is not clearly firm beginning, but such a project becomes possible when other members of the group did it.

Peers groups inside which begin the firm project is spreading are not only defined by strictly professional criterions: in Oyonnax, when local maquis liberated the town in June 1944, one of the first bill they took was to limit the right to establish for people who were resistant or prisoner in camps. And such a decision shapes an employers groups ever active some decades after this date. Peers group here was not rooted directly in labour relations, but rather in political relations and legitimacy.

Families are often institutions inside which the career of entrepreneur makes sense. The function of mezzadria in many Italian industrial districts was long questioned; as Bernard Stauffer (1998) observed in ceramics making industrial district, there was no direct capital transfer from farmers to beginning firms. But, as quoted also by Corinne Maitte (1997) for Prato district or by Pierre Judet (2001) in Cluses industry, new entrepreneurs had often very specific positions in farmer families: their labour force was required for rush times, but they have no continuous work on the year long. Bernard Stauffer observed that many firm beginners are family members of local mezzadria farmers but they spent a time outside the village and their firm establishment was also a kind of youngest brother comeback.

Capital owners who seek industrial opportunities, innovators who developed a new world conception, both these classical definitions of entrepreneurs are not sufficient enough in ID situations. Firm establishment is rooted in beginner individual history, mostly in labour relations and employment careers, often in family history and sometimes in political or social history. Reversely, firm beginners situations are often described as spin off strategies: the entrepreneur develops, often with his previous employer agreement, a project he could not realize in the previous job. Such a statement leads to an explanation of greater propensity to
begin a new firm among small firms employees than among big firms ones: labour relations in the small firms allow many employees to know different informations about the firm functioning. In a small firm, a skilled worker or a technician has often many informations not only about technologies, but also about markets, customers … In ID he also has a friends network with peers who tried – successfully or not - to begin firms. For members of such groups, useful informations to begin a firm ‘are in the air’. Self employed and firm beginners find in ID support from other entrepreneurs and specialised institutions, either strictly financial or with different topics. Such support may be strictly interindividual as it was in the classical craftsman patronage or in modern entrepreneur-mentors (Bresnahan et al.: 837).

Self-employed and firm beginner statuses are often specific. In the French working class tradition, self-employed and craft workers were considered as working class members rather than employers; their employees were “compagnons” or apprentices. In french old economy ID, self employment or firm establishment individual strategies are rather the ways of job autonomy and independence from employers than strategies of capital accumulation. In Oyonnax industry before the 1953 strike, collective agreement negotiated between local employers and CGT union, ruled together the employees and the subcontractors earnings. Union delegates were representatives for self-employed, craftsmen and even small employers. A lot of these self employed or employers were also employees, at least during a first time. When unsuccessfull, they could find again employee job according their previous skill (Hakånson: 435). Beatrice Veyrassat (1997: 217-8) quoted similar situations for Jura watch-makers.

Labour market analysis of the firm beginner situations in ID leads to put the emphasis on these status continuities rather than on business decision. Individual work career and family network provides information resources to the new entrepreneur. Starting a firm does not break the social linkages and status; peers group remains and may be reinforced by such decision. If unsuccessfull, the starter’s risks are minimised and that is not a real social situation change.

**Local regulation and conflicts**

Internal labor markets definition (Doeringer and Piore 1971) may be used as analytical framework for IDs employment systems. Inside them, employment and working conditions are regulated by a web of rules, formal and informal. But IDs are not hierarchical organizations; they are less coherent organisations than firms or administrative bureaucracies. Unlike classical bureaucracy, problem solving is not confided to specialised department. ID regulation is a global one because dimensions of the problems are linked together: labor market rules are also useful to understand knowledge spillover or trade competition. Employment, technology or trade strategies are linked and collectively managed. Internal competition is working both in employment market and in trade markets. As observed in professions or as industrial branches in some industrial relations systems, ID employment regulation is applied in firms which compete in the products markets, either as direct competitors or as subcontractors in a production chain. Labour markets, technology and trade competition are ruled simultaneously by a web of rules mostly informal.

Internal labor markets definition may be applied to ID, but they are quite different than classical institutional markets (Kerr 1954). Unlike professions, where internal relations between members are peers’, employment relations, and notably wages relations, are central in ID regulation. Although status transition is possible for some of them, ID members do not share the same strategic positions in labor market. Unlike professions, access to self employment and firm beginning is only limited by customs. So ID boundaries are not defined as strictly as professions boundaries. IDs regulation is not a firm regulation because products market regulation is included in the global regulation. They are regulated and not managed or administrated by a unified hierarchy or by an external legal definition: this kind of regulation is
not logic dependant; it is rather historically determined. But ID definition is not formally precise and juridically useable as French branches one.

Inside internal labor markets, as in all social situations where employers and employees have to share the results of common activities, conflicts are possible and frequent and consensus limited and precarious (Carnevali 2004). Regulation, and collective rules do not eliminate conflicts, they only rule them (Commons 1934). The situation is similar in products market regulation: competition is ruled but these rules are precarious and do not abolish competition and conflicts. Wages relations rules are as precarious as products market ones: they are stable rules as long as no actor acts to contest them (Reynaud 1989). Consensus hypothesis is here yet more improbable than in a formal organisation: beside classical conflicts where actors confront for policy orientations, there are also conflicts rising from contradictions between the various local rules.

As in most of economic organisations, internal conflicts are usual in IDs. They are frequently complex. The first reason is rules informality: when rules are only informal customs, formal bargaining is not the way to stop internal conflicts: when rules are informal, their power lies in support more than in calculation. Bargaining is a good way to build compromise whilst moral (and here economic) authority is the proper way to arouse adhesion. Arbitration by a moral authority is often necessary: in Oyonnax during the seventies, local banker was this authority in trade conflicts between local firms, especially in sub-contracting; during the thirties, the mayor was in charge of arbitration for wages conflicts. The second reason of conflicts complexity is the complexity of web of rules: in a usual situation, wages conflicts confront unions and employers, trade conflicts confront employers each other; in ID complex regulation all actors have complex strategy in several dimensions.

During the late seventies, after first oil clash and spread of new technologies for plastic moulding, Oyonnax industry was in a deep crisis. Injection machines automatisation change manpower needs; increase in raw material prices and new countries economic development leads to new competitors. During a first stage, Oyonnax firms faced the crisis by increase of working hours for their migrant workers men employed as plastic moulders. The other french firms, outside of Oyonnax, were employing women for the same jobs. They were not able to ask for long working hours and were obliged to buy new equipment to face the competition. They tried to knock Oyonnax firms out of market by negociating a working hours reduction collective agreement. Such collective agreements, according to french labor law, may be an obligation for all the firms belonging to this economic definition of industry. Oyonnax firms answer was threefold: they left large production business and specialised in B to B technical pieces, they invested in new technologies machines and they favoured technicians and engineers employment rather than migrant workers. Local government strongly supported this new strategic choice. In this case, labour relations and employment strategies are strongly linked with technological and business strategies.

Labor markets dualist model does not perform to describe such conflicts. Employers collective strategy was economic change of Oyonnax firms positions in economic product chain. Rather than low price final products, they choose to produce as technically specialised subcontractors. Success of such a strategy needed to mobilize other actors: political exchange (Pizzorno 1977) leads to local government involvement and support to creation of ingeneers school specialised in plastic moulding and housing program for middle class families; local unions were associated in negociation for new collective agreement and especially wages scales, skilling and training policies. Such strategic conflicts are complex situations where many dimensions are involved together: employment, technology, business, finances are concerned simultaneously. The first strategic choice is problem labelisation. Each actor has a
complex strategy: none of them is limited as unions are limited to labor relations or subcontractor to prices competition in dualistic model. By such a complex collective actions, local industry wins strategic autonomy and avoids the constraints of economic subordination of usual secondary segments firms.

Local regulation capacity to rule these internal conflicts is a key factor for development and survival. Difficulties or impossibility to solve them is frequently the cause of ID historical collapses. Seldom by an indirect way: internal conflict does not work directly on the threat, but it undermines the collectiveness of strategic answer to the threat. When regulation is mainly informal, its power lies in trust each actor grants. Trust is necessary to build the collectiveness; but this trust is never generally but always locally defined; ‘actors did not distinguish as sharply between states of trust and mistrust as the conventional understanding would suggest.[]there is a deontology of treachery, and a spy remains a peculiar sort of honorable person by complying with it’ (Sabel and Zeitlin 1997: 23). So, ID stability and development are the result of collective ability to manage internal conflicts rather than impossible consensus, but, simultaneously formal constraints weakness requires actors support to regulation.

**ID local regulation paradox**

Regulation of labour markets and labour relations in IDs is paradoxical. It seems weaken because it is mostly local and informal; because informal, using it in front of a court or change by usual bargaining process are often difficult. It seems weaken because rules are not mandatory: they are explained as only local customs. On the other side, ID regulation is often complex: employment rules are strategically linked with other areas of regulation as technological or trade strategies. As qualified by Marshall for ‘the mysteries of the trade’, rules are ‘in the air, and children learn many of them unconsciously’. And one may apply to these rules the remarks Anthony Giddens made about the nature and the forms of the rules: stronger they are, more informal and difficult to express they are (Giddens 1984).

When entering an unionised firm or administration, employees are given the last version of collective agreement or texts ruling employment and working conditions. In industrial districts, local rules of employment systems are not written: they are “in the air”; they are often as witch beliefs, local people agree to speak of seriously only when they think inquirer shares them (Favret-Saada 1977). Often they look like rather tribe myths than juridical rules. As religious beliefs, rules meanings of various people may differ. To new members, they are presented by the way of histories and anecdotes during informal meetings rather than academic knowledge. Sharing the same rules allowed social exchanges inside the group (Saglio 1991). Gift - as work or information giving without payment - is an investment if the other group members consider it as an engagement proof: one does not know what will be the counterpart, and even the identity of the group member who shall do the counterpart. For instance, employment agreement success may be the creation of a rival firm, and the counterpart may be technical cooperation between both firms.

Labour markets ruling is only a part of complex ID economic regulation; a crucial point in this regulation is the revival of the group of would be firm beginners; complexity and informality of this local regulation makes more difficult internal conflicts management. Marshall Sahlins (1976) proposal to consider economy as a cultural category may be applied here: consider local economic rules as a part of a local culture makes understanding ID economy easier. Reversely, from an ID point of view, labor markets and labour relations in bureaucratic situations may be considered as particular.
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Craft Register: official register where all self-employed has to register