



Negotiating collective agreements on employment and competitiveness



EUROPEAN FOUNDATION
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Jacques Freyssinet and Hartmut Seifert



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Foreword

This report describes and analyses agreements between the social partners on employment and competitiveness in 11 Member States of the European Union. It focuses on innovative collective agreements concluded at both sectoral and company levels which are used by the parties involved (sometimes with state backing) to ensure that aspects of employment and competitiveness play a central role in any settlement reached. These agreements have become known as PECs: pacts for employment and competitiveness. In terms of their content, they cover a wide range of mostly interlinked measures, which include more flexible wage structures, the reduction of working time and changes in work organisation, as well as measures associated with continuing vocational training.

These new approaches to collective bargaining policy and employment policy emerged throughout Europe in the 1990s. As little information existed on the distribution, content, impact on employment policy or implications for industrial relations systems of these agreements, the European Foundation for the Improvement of Living and Working Conditions initiated a research project into the subject, conducted by an international team of researchers.

This team of researchers has collaborated on the drafting of three reports, which, while they focus on very different aspects of the topic, should be treated in this context as complementary elements of a whole.

The report, *Pacts for employment and competitiveness: concepts and issues* (Sisson *et al.*, 1999), traces the theoretical and analytical framework within which PECs can be categorised, discusses the methodological bases for subsequent empirical research, and sets out the criteria for drawing up country reports and conducting case studies in selected companies and branches of industry (Sisson *et al.* 1999). The next report, *Handling restructuring*, summarises the results of company case studies and analyses and evaluates them (Sisson/Martín Artiles, 2000).

The present report compares and analyses the various collective agreements concluded at sectoral and company levels on the basis of national overviews.

The overall aims of the project ‘Pacts on employment and competitiveness’ are to determine the importance of PECs in the context of employment policy and structural policy, and to map out the extent to which PECs can restructure and more efficiently manage the interplay between social pacts, national employment policy and collective bargaining policy. We hope that this report will contribute to a better knowledge and understanding of the application of PECs across the EU.

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Chapter 1

Introduction

In the 1990s, the parties to collective agreements in the EU Member States responded to the ongoing employment crisis and the growing problems associated with competition by concluding numerous ‘pacts for employment and competitiveness’ (PECs). In so doing, they adopted a new approach to employment policy. Although the parties to collective bargaining have emphasised different issues, depending on the country, branch of industry or company concerned, the one thing all of these innovative agreements have in common is that they ensure that the following are explicitly covered: the safeguarding of employment or an increase in jobs, the maintenance of production sites and the inclusion of measures designed to boost competitiveness. Thus, they differ in one key way from previous collective agreements, which were limited to negotiating changes in pay and working time, whilst leaving the decision about how workers were to be deployed open and to the mercy of the decisions taken by entrepreneurs. Departing from this approach, numerous PECs have also specified the level of employment and employment guarantees, or have even agreed on rises in the level of employment.

These agreements on employment and competitiveness are also changing the pattern of companies’ response to precarious economic and employment situations. PECs offer companies a positive alternative to the previously predominant pattern of *reacting*, which, for the most part, was aimed at shedding jobs in the event of staff surpluses arising from declining demand and a drop in plant utilisation. PECs seek to solve the problem not just by short-term cost-cutting measures; instead, they are geared in the medium and long term towards achieving productivity gains and embracing company-level measures to promote flexibility. In some cases they even limit companies’ capacity to adapt to external change, replacing this with extended internal flexibility. But PECs also aim to create additional jobs. The preconditions for such new forms of alliances, safeguarding jobs, are mutual barter agreements concluded in a spirit of partnership

between the parties to collective bargaining or company-level negotiations, with the state sometimes involved as a third party.

This report examines the different approaches taken by pacts for employment and competitiveness in 11 Member States of the European Union, based on the ‘concept paper’ by Sisson *et al.* (1999). In this context, PECs are defined as collective agreements at sectoral or company level that deal explicitly with the issues of employment and competitiveness, and with the relationship between them, to either safeguard jobs that are at risk or create new ones.

This research focuses primarily on the significance of PECs in the context of employment and collective bargaining policies. The top priority is to highlight the content of the PECs on which agreement has already been reached, and to indicate which patterns occur in association with which countries or sectors of industry, whilst at the same time pointing out the common ground covered and the strategic approaches followed. Can a fundamentally common approach in dealing with the parties to collective bargaining be identified, regardless of all the national differences in institutional frameworks, and can this approach serve to boost employment and competitiveness?

Defining PECs

PECs constitute a new area of action for collective bargaining and employment policy, which has received little coverage in academic research to date. As always when dealing scientifically with subjects on which little research has been carried out, and which are, moreover, at least partly still in a trial phase, questions regarding definition and methodology have to be cleared up. This is particularly important in connection with international comparisons, since the terminology used in the countries in question differs, and the situations covered cannot always be clearly identified on the basis of pre-set criteria. The report produced by Sisson *et al.* (1999) was meant as a first step in this direction. It attempted to come up with a pragmatic definition, which, in a rather deductive kind of way, might serve above all as a reference point for the national reports from 11 Member States of the European Union. However, it can only be regarded as a first attempt to develop some conceptual, terminological bases that enable the area covered by collective agreements to be operationalised and demarcated, with its central dimensions mapped out.

As it turns out, in recent years bipartite or tripartite agreements on employment and competitiveness have been concluded and put into practice at company level in all of the 11 Member States of the European Union reviewed here in detail. But there have been significant differences in the strategies adopted and instruments used. This is causing some problems for the definition of the concept of PECs, making it difficult to distinguish it clearly from other concepts, such as social pacts, national employment policy and ‘normal’ collective bargaining policy.

Whilst there are no distinct, generally accepted criteria for helping to define pacts for employment and competitiveness in an unequivocal manner, and to distinguish them from other

collective bargaining or tripartite agreements on wages, working time, work organisation, qualifications and the like, the main subject dealt with in this report will, to a certain extent, remain open to interpretation. The dividing lines between PECs and other agreements of comparable scope remain fluid. The question of which agreements are merely the fruit of traditional collective bargaining policy (which may have been slightly ‘souped up’ and/or given a new label) and which agreements represent something genuinely new, in keeping with the notion of what PECs are all about, cannot always be given a clear answer. Should any kind of agreement on wage concessions, differential pay scales, more flexible working time and so on be referred to as a PEC? If not, which additional criteria need to be fulfilled? Is an explicit reference to safeguarding employment or increasing the number of jobs all that is needed to qualify these agreements as PECs, even if their actual content is somewhat dubious? Turning this argument around, is a lack of explicit reference to employment in such an agreement a sufficient reason for disqualifying it as a PEC, even if its content suggests that it could be classified as such?

One example of how difficult it can be to draw the dividing line comes from the Netherlands, where in today’s collective bargaining policy there is virtually no difference any more between collective agreements along the lines of PECs and ‘normal’ collective bargaining policy. Indeed, in the Netherlands, on the basis of general agreements, ‘PEC’ seems to be treated as a generic term covering collective bargaining policy. The impression gained, or more precisely, what is suggested by the report on the Netherlands, is that collective bargaining policy is permeated with PEC elements. The possibility cannot be ruled out – at least at economically critical stages – that all collective bargaining policy can be more or less driven by goals related to policy on employment and competitiveness, whilst issues related to distribution policy take a back seat. In this respect, the specific economic background and its fluctuations play an important role in determining whether PECs are concluded, as well as defining their scope and content.

On the one hand, these problems of definition hamper any attempt to gain a methodological overview, identify different types of agreement and assess the present situation. On the other hand, however, this lack of fixed parameters has the advantage of leaving the way open for innovative approaches that would otherwise fall victim to rigidly defined dividing lines.

Literally speaking, the term PEC cannot be said to exist in all the countries included in the survey. For example, according to the data cited in the national reports, the term ‘employment pact’ is completely unheard of in Ireland, although of course this does not mean that there are no agreements that can be classified as PECs on the basis of their content. Moreover, in the United Kingdom, PECs do not exist at sectoral level. As stated in the national report on the UK, ‘The absence of any sector-level provision is largely because over the past 30 years, most sector-level collective agreements in the private sector have been dismantled’. Nonetheless, agreements have been concluded at national level in Ireland that refer to both fiscal and wage policy issues, and thereby affect the employment situation. Meanwhile, because of the decentralisation of collective bargaining policy that took place in 1990, Sweden has only isolated sectoral agreements on employment and competitiveness. In view of this, it would arguably make sense to embrace an extended definition which also takes account of implicit objectives on employment and

competitiveness. The respective national models of a collective bargaining policy play a role in the appearance of PECs in the narrow sense of the term. However, these models are still far removed from a uniform European model, however this may be defined.

A second problem may arise from the impact on PECs of the interplay between government policy and collective bargaining. Government activity can both directly and indirectly influence both collective bargaining PECs and company-level PECs by establishing the framework for collective bargaining and company-level agreements. Indeed, the laxity of legal regulation in the jobs market determines the amount of leeway left for shaping employment via collective bargaining or company-level agreements. In some countries, however, government policy also fosters the existence and implementation of PECs directly, by providing funding specifically for this purpose. The national reports deal with such relationships to differing degrees, and accordingly attribute a varying level of importance to government activity as regards improving employment and competitiveness. This makes the systematic inclusion of government activity rather difficult, and means that in this report it can be regarded merely as background information, especially as it was not covered explicitly by the individual national reports, and was therefore neither surveyed nor systematically documented.

Conceptual issues

Whether at sectoral or company level, collective bargaining decisions normally impact on questions of employment and competition. This connection may be deliberate on the part of the social partners, but it can also be a more or less unintentional result of collective agreements. To be sure, organising employment is not the primary goal of collective bargaining policy, but time and time again such policy has attempted, amongst other things, to affect the level and structure of employment, and to either stabilise the existing (but jeopardised) employment level or even raise it. For example, important stages in the more than 100-year-old history of collectively agreed reductions in working time were dominated by employment policy. Especially in periods of crisis characterised by high levels of unemployment, working time policy has become subsumed under employment policy. But agreements on safeguards against rationalisation are also closely tied to employment policy goals, and strictly speaking, any collective agreement that changes labour costs also alters the level and structure of employment and competitiveness, especially in the neo-classical view. Such links, however, are ordinarily a matter of dispute between the parties to collective bargaining: the employers do not normally view collectively agreed reductions in working time as a suitable way of improving the jobs situation; whereas the unions, for the most part, are unconvinced that labour market problems can be resolved by wage moderation alone. In contrast to these traditional agreements of relevance to employment policy, both parties to the collective agreement, where PECs are concerned, regard the agreement concluded as an approach to solving employment problems, and reach a consensus on a mutually acceptable concept. This, in turn, gives rise to a second difference in comparing PECs with traditional collective bargaining policy.

The mutual recognition of employment and competitiveness goals, as explicitly agreed in PECs, is facilitated and encouraged by the broad orientation of their content. Complex bargaining

packages which regulate different substantive issues thus offer both social partners an opportunity to benefit in at least some way. Where multidimensional bargaining packages are involved, there is a better chance that both parties will improve their own position in at least one area regulated by the agreement(s) in question. This benefit also gives them greater justification for accepting concessions in other areas.

This raises the question of the extent to which the theoretical conceptual framework employed in the literature for standardising and explaining patterns of collective bargaining action is still appropriate, or whether it needs to be modified or even reformulated.

When attempting to pinpoint PECs in theoretical terms, one option is to invoke the theories of action developed for industrial relations (Müller-Jentsch, 1997). Such approaches offer guidelines and elements for an as yet undeveloped theory of employment pacts. A project of this type, which the present study can serve by providing a few empirical bases, would have to include both institutionalist approaches and approaches based on employment theory. The fact that the configuration of the institutions taking part in designing and implementing PECs is an important criterion for their creation, and for determining their success in terms of employment policy, favours the institutionalist perspective. As is well known, institutions define the structure of the area where action is taken. The employment theory connection comes into play where the substantive organisation of agreements to safeguard and boost employment is involved. Different results in terms of the level and structure of employment can be expected depending on the functional mechanisms which the agreed employment strategies attempt to influence. At the same time, the interests of the actors involved are affected to a differing degree by the orientation of their employment strategy, which in turn is important for the acceptance and conclusion of agreements.

Approaches to a theory of action that are based on the thinking of Walton and McKersie (1965) for the field of formal bargaining processes between social interest groups, i.e. collective bargaining, offer an initial path of access to the sphere of action occupied by PECs. They highlight the complexity of bargaining processes, with different sub-processes and specific individual functions. In so doing, they draw a distinction between distributive bargaining and integrative bargaining, with the former being used to describe a bargaining pattern in which disputes between rival interests ultimately have the nature of zero-sum games. Typical examples of this are collective bargaining wage conflicts in which one side wins what the other side loses. Integrative bargaining, by contrast, is based on mutual efforts to reach cooperative solutions to problems using the model of a positive-sum game.

The initial hypothesis could be that along a theoretical axis, the poles of which are formed by these two patterns of bargaining, PECs would be situated closer to integrative bargaining than to distributive bargaining. In a given problem situation, the agreements reached leave the two parties better off than they would otherwise have been. In this sense, a zero-sum game would be ruled out. A different collective bargaining pattern, known as concession bargaining, points more in this direction. This concept emerged in the USA in the 1980s, and refers to agreements

concluded, under severe competitive pressure in crisis-ridden companies, which require unions and workers to make concessions mainly in the areas of pay, benefits and work rules (Kochan *et al.*, 1986); Mitchell, 1994). These agreements can be described as a special or extreme form of distributive bargaining, extending beyond the boundaries within which such negotiations normally take place. Such agreements deal not with distributive relations within the scope for income redistribution determined by the growth rate in productivity, but rather with cuts in, or at best a freezing of, the vested rights previously agreed within the collective bargaining framework. Concession bargaining in this sense can be defined 'as a nominal wage freeze or cut' (Mitchell, 1994, p. 438). The agreements in the USA described as concession bargaining not only worsened workers' position with respect to distribution, but in some cases also resulted in a drop below the material level achieved in previous collective bargaining agreements, and even left them materially and legally worse off overall. In the concession bargaining practised in the USA, concessions such as the revoking of announced job cuts have been rare exceptions (Becker, 1988).

On the basis of the bargaining concepts outlined above, it can be argued that whilst PECs involve agreements mostly born of needs associated with employment and competitiveness policy, they not only extract collective bargaining concessions from workers, but also offer them certain forms of compensation. For the time being, it remains to be seen whether this *quid pro quo* is a sort of exchange of equivalent items, or whether the two parties to bargaining profit unequally from the agreed benefits and concessions.

Structure of the report

This report attempts to throw more light on a new area of collective bargaining action which has so far received little attention. First of all, it attempts to sketch out a rough outline of the models used for agreements, to identify the actors involved, and to describe the scope of PECs as far as possible (Chapter 2).

Chapter 3 then sketches out the main topics covered by PECs and attempts to identify different strategic patterns. The central message of this section is that in recent years collective agreements have placed aspects of employment on the agenda as a new target for regulation. The parameters invoked in this connection include not only wages, but also a broad set of other, different variables.

Chapter 4 places the structure and extent of PECs against the backdrop of the economic environment, defined on the one hand by the recession of the early 1990s, and on the other by the requirements laid down by the Maastricht criteria. Against this background, the quantitative and qualitative aspects of PECs also depend on the respective regulatory models of individual labour markets and on the respective systems of industrial relations in the different countries. Consequently, as shown by the various approaches to improving the jobs situation and boosting competitiveness, there can be no question of economic determinism; instead, there is leeway for different concepts of PECs, depending on the national conditions for action with respect to

employment and collective bargaining policy. In this respect, PECs are viewed as one element of national employment policy.

Given the innovative nature of PECs, the virtual absence of technical assessments is surprising (Chapter 5). This gap in the literature probably has less to do with methodological problems than with the configuration of the different actors' interests. In view of the criticism from within their own ranks of the compromises entered into in PECs, such actors are primarily interested in legitimising their own authority. Given the shortage of data, however, caution is called for when making statements about quantitative effects.

Nonetheless, despite the difficulty of assessing the quantitative importance of PECs, it can be demonstrated (Chapter 6) that in qualitative terms they are having a far-reaching impact on aspects of collective bargaining.

- PECs can be concluded in a wide spectrum of situations, ranging from 'concession bargaining' to 'partnership agreements'.
- PECs provide typical illustrations of the trend towards multidimensional medium-term negotiations.
- PECs are an example of the concept of joint responsibility on the part of the actors.
- The vast majority of PECs are concluded at company and workplace level; in some countries this finding may suggest a move towards decentralisation; but in others it is a more complex movement towards 'centralised decentralisation'.
- PECs have provided scope for broadening the responsibility of new forms of worker representation in collective bargaining, and have created both risks and opportunities for unions.

Finally, Chapter 7 shows that PECs also constitute a challenge to national employment policy, some aspects of which they may be able to supplement or even replace.



Chapter 2

PECs: a new topic on the collective bargaining agenda

PECs form neither a legal nor a statistical category. It is thus impossible to put forward a homogenous quantitative measurement of their growth in various countries. They can be charted initially by using information about collective bargaining on employment. In this context, the national reports provide partial and heterogeneous information relating to the number of agreements which could fit the definition of PECs suggested in Sisson *et al.* (1999). These reports demonstrate that the field within which PECs are studied (sector-level and company-level agreements) cannot be analysed without taking account of their place in each country's system of consultation and negotiation mechanisms.

The growth in negotiations on employment

Three specific documents can be used as reference points for an overview of the recent development of negotiations on employment in Europe. Stefan Zagelmeyer has updated the results of a comparative study, carried out under the aegis of the EIRO (European Industrial Relations Observatory), up to February 1999, on the 15 EU countries plus Norway (Zagelmeyer, 2000 – see box). A team of researchers led by Armand Spineux did similar work on the periods from June 1997 to July 1998 and from July 1998 to July 1999, carried out in all the EU countries (Spineux *et al.*, 1998 and 2000). The third piece of research, a comparative survey of negotiations on flexibility in 22 countries, 10 of which are in western Europe, was done by the International Labour Organisation (Ozaki, 1999). Their results highlight both common trends in terms of the content of such negotiations, and a high degree of diversity between the levels at which negotiation takes place.

Some characteristics of the **content of the agreements** appear, to varying degrees, in all the countries:

- A close link drawn, in the name of competitiveness, between wage restraint and job creation.
- In quantitative terms, the vast majority of the agreements are ‘defensive’ (or reactive), i.e. aimed at avoiding or limiting job losses or at reducing staffing levels without redundancies, for example by encouraging workers to leave on a voluntary basis or to take early retirement. ‘Offensive’ (or pro-active) agreements (which create jobs) are the exception (see Chapter 3).
- Commitments on employment that the employers have accepted result in several major trade-offs: first, immediate sacrifices in terms of pay and/or future wage restraint, and second, the agreement to allow increased flexibility, especially in the organisation of working time and working hours.

Innovative agreements on employment and competitiveness in the EU and Norway

Stefan Zagelmayer’s 2000 survey deals with all negotiations on employment in the 15 EU countries plus Norway. It covers a wider sphere of negotiation than the present report. However, it has provided us with general information consistent with that obtained from a study restricted to PECs.

The information on the content of the agreements is similar to that presented in Chapter 3.

The distinction between four negotiating levels (national, regional/local, sectoral, company) differs from the one suggested here (see description below and table 5). This particular distinction allows attention to be drawn to some major trends (see Table 1 on p. 12).

Firstly, negotiation is virtually standard practice at the two extreme levels (national and company), while it is less frequent at the intermediate (regional/local and sectoral) levels.

- Company-level negotiation occurs in all the countries except Greece. National agreements (tripartite or bilateral) exist everywhere except Austria and the UK. In the former, it could be assumed that long-lasting forms of neo-corporatist compromise have made negotiating formal agreements unnecessary. It should be pointed out that in two countries, Germany and Belgium, the record of obtaining tripartite agreements has been a pattern of both failure and success.
- Although negotiations at regional, local and sectoral levels take place in most countries, there are more gaps in this pattern than in the previous one. However, no common features can be observed in the countries in question.

Secondly, looking across the horizontal axis of the table shows the opposition between the UK, where only company-level agreements take place, and a group of five nations where negotiations exist at all levels (Belgium, Denmark, Germany, Italy and Spain).



Several of the conclusions in Zagelmayer's research concur with those to be identified in this report:

- It is only at the company level of negotiations that explicit commitments on employment can emerge, as the other levels have different functions such as providing a framework for action and giving impetus to it;
- Because of this, the impact of the agreements on job levels can only be identified in certain cases at the micro-economic level since little information exists on their macro-economic effects;
- There is increasing interaction between employment legislation, state employment policy and collective bargaining;
- The option of signing company and workplace agreements, open to works councils, has changed the ground rules of collective bargaining, and altered the power relationship between unions and employers;
- The specific features of the national systems of industrial relations are still very resilient, making the use of benchmarking and the idea of transferring best practices of dubious value from a national point of view ;
- Overall, the growth in the amount of negotiation on employment has been closely linked with the economic conditions of the period, and the intensification of the trend towards restructuring which has characterised it.

- Provisions in the agreements on vocational training of employees aim to foster company adaptability and/or prepare for retraining.
- Special status has been introduced to promote the reintegration of certain categories of workers at greater risk of unemployment (mainly young people and the long-term unemployed) into the workforce. The steps taken may include the use of fixed-term contracts, the introduction of lower rates of pay, and training programmes.

The diversity in terms of the **levels at which negotiation takes place** is considerable, as shown by Zagelmayer's table (Table 1, p. 12). Except where they were already dominant (such as in the UK) almost every country is witnessing a boom in company negotiations, but at the same time, many countries have seen a resurgence of national cross-sectoral agreements. The number of intermediary-level talks (at sectoral or regional level, for example) varies greatly from place to place.

Can the scope of PECs be measured?

For the reasons presented before, the reports produced by the national experts could only provide heterogeneous information. This is first and foremost due to the available sources: official government statistics, the counting of agreements reached by employers and unions, and information gathered by research bodies and specialised publications. It is also due to the way in which each specialist translates the abstract concept of PECs into the reality of their own country.

A few examples will suffice to demonstrate the difficulty there is in drawing general lessons from these sources of information.

Table 1 Bargaining on employment at different levels in the 1990s (overview, excluding mining)

Level	National	Regional/ local	Sectoral	Company
Belgium	✓○★	○	✓	✓
Denmark	○	○	✓	✓
Germany	○★	○★	✓	✓
Greece	✓○	○		
Spain	✓	○	✓	✓
France	✓		✓	✓
Ireland	○	○		✓
Italy	○	○	✓	✓
Luxembourg	○		✓	✓
Netherlands	✓		✓	✓
Norway	✓			✓
Austria			✓	✓
Portugal	○	○		✓
Finland	✓○		✓	✓
Sweden	★		✓	✓
United Kingdom				✓

- ✓ Collective agreements between the social partners (employment pacts).
- Collective agreements between the social partners and government (social pacts).
- ★ Failed attempts to conclude social pacts.

Source: Zagelmeyer, 2000.

In the UK, the typical illustration of PECs are the ‘employment security agreements’ reached only at company or workplace level. The sole source of general information is the survey of industrial relations in the workplace (Workplace Employment Relations Survey) carried out in workplaces with 25 or more employees. The most recent survey, in 1998, indicated that there were indeed employment security arrangements – although not necessarily agreements¹ – in 14% of all workplaces, but in only 6% of private sector workplaces. Within the private sector, they were significantly more likely to be found where trade unions are recognised for collective bargaining purposes (Hall, Marginson, ‘UK, Overview’, p.7). From scrutinising the specialist press, the report’s authors also made out a list of employment security agreements, of which they found 35 going back over the previous three years.

In Spain, the second labour market reform, in 1995, and the 1997 AIEE (*Acuerdo interconfederal para la estabilidad del empleo*: Inter-confederation agreement for employment stability) promoted the introduction of ‘special clauses’, primarily on job creation, into collective agreements. Table 2 (Martin Artiles, Alós-Moner, ‘Spain, Overview’) shows the percentage of workers covered by these clauses. These figures demonstrate the significance that employment issues have rapidly attained within collective bargaining, but do not allow the specific role of PECs in this to be distinguished.

¹ Guaranteed job security or no compulsory redundancy policies.



Table 2 Spain: Workers affected by special clauses in collective agreements*

Special clauses	1996 Workers/%	1997 Workers/%
Employment creation	181,332 (3.0 %)	339,774 (4.7 %)
Job preservation	300,117 (4.9 %)	679,935 (9.4 %)
Employment creation by early retirement	781,297(12.8 %)	1,335,582 (18.5 %)
Employment transformation	527,422 (8.6 %)	717,815 (9.9 %)
Other clauses about work contract	2,083,976 (34.1 %)	1,834,528 (25.4 %)
Geographical mobility	1,248,520 (20.4 %)	1,631,269 (22.6 %)
Functional mobility	1,283,520 (21.0 %)	1,454,232 (20.1 %)
Function category (and professional groups)	1,152,368 (18.8 %)	891,672 (12.3 %)
Other clauses about employment	676,109 (11.1 %)	2,809,868 (38.8 %)
Overtime hours	–	2,809,868 (38.8 %)
Retirement	2,896,189 (47.3 %)	3,486,432 (48.2 %)
Non-pay social benefits	3,733,958 (61.0 %)	4,466,545 (61.8 %)
Vocational training	3,589,648 (58.7 %)	4,084,961 (56.5 %)
Health and safety in the workplace	3,394,405 (55.5 %)	3,974,354 (55.0 %)
Union activity	4,507,462 (73.6 %)	5,483,282 (75.9 %)
Other subjects	4,252,179 (69.5 %)	4,878,149 (67.5 %)
Productivity	–	2,295,768 (31.8 %)
Total	6,120,680	7,226,762

*Refers to registered agreements. Percentages do not make a hundred.
Source: CES, 1997:342 and CES, 1998:426.

In France, PECs are basically linked to negotiations on working hours. Table 3 (p. 14) shows the frequency with which various topics were dealt in the 7,128 company agreements signed in 1998. The headings ‘reduction in the working week’, ‘time-off savings accounts’, ‘adjustment to fluctuations in workload’, and ‘increase in the hours in which facilities are used’ give a snapshot of the areas in which PEC-type negotiations have taken place.

In Germany, where sector-level negotiations play a dominant role, the ‘Collective Agreement Archive’ created by the WSI (*Wirtschafts-und Sozialwissenschaftliches Institut*), allows agreements containing guarantees on employment levels to be studied (Schulten, Seifert, Zagelmeyer, ‘Germany, Overview’; Schulten, 1999b). In the national report they are classified into two main categories. Firstly, some agreements contain clauses on the temporary reduction of working time, with a commitment not to resort to redundancies, or clauses on working time flexibility aimed implicitly at defending jobs, with no binding commitment. Secondly, some agreements contain concessions on pay explicitly linked to the safeguarding and creation of jobs (often in the form of opening clauses or ‘hardship’ clauses allowing company-level negotiations). A representative survey of workplaces with works councils carried out by the WSI in 1997-1998 provides data on the measures adopted to ensure job security (see Table 4 on p. 15). From this, it appears that the clauses relating to the overhaul of working time are by far the most important.

Table 3 France: Agreements on working time in 1998, by topic* (frequency with which the topics figured in agreements, as a percentage)

Topics		
Simple renewal of measures		10.7
A.	Weekly working hours	44.0
	Reduction	37.9
	Renewal	5.5
	Increase	0.6
B.	Management of schedules and holidays	38.7
	Paid holidays	12.3
	Personal holidays	16.9
	– including seniority	2.5
	– including extra days	10.7
	Days off	4.5
	Long bank holiday weekends	7.6
	Bank holidays	4.2
	‘Time-off savings accounts’	7.1
C.	Overhaul of individual and à la carte working hours	4.7
D.	Measures for adjustment to fluctuations in workload	39.1
	Variation of the company’s working hours	26.4
	– including annualisation	18.8
	Overtime	16.2
	– including days off in lieu	9.0
	Part-time working	8.5
	– including annualised part-time work	1.7
E.	Measures aimed at increasing the period for which facilities are used	24.0
	Shiftwork	12.1
	Shift patterns	2.0
	Weekend cover	8.5
	Night work in general	2.3
	Women working nights	0.2
	Staff ‘on call’	2.8
	Other measures	3.4
D + E	Overhaul of working hours	56.3
Total number of agreements		100.0

*As the agreements may cover several topics at once, the percentages do not add up to a hundred.
Source: Ministère de l’emploi et de la solidarité, ‘La négociation collective en 1998’.

The first results of the last survey carried out by the WSI show that 26% of all firms with a works council have concluded an agreement on employment and competitiveness within recent years. Another 3% are planning to conclude an agreement. There are strong differences between the different industries. In the sector of transport and communications about 46% of all firms with a works council have concluded PECs, in contrast with only 9% in the construction sector.

Table 4 Germany: Plant-level measures on enhancing employment security (percentage of responses)

	Total	Sectors									
		Raw material	Investment goods	Consumer goods	Construction	Trade	Financial inter-mediation	Insurance	Post	Tele-comms.	Others
1. Working time											
Time off for overtime work	79	84	82	81	57	67	91	60	87	94	82
Working-time accounts	63	70	75	66	76	47	16	36	41	9	62
Cuts in overtime	42	57	35	51	36	42	40	33	37	60	49
Pre-retirement part-time work	24	24	23	15	8	13	35	84	49	49	27
Opportunity to work part-time	25	16	19	13	11	31	65	77	59	66	12
Overtime without premium	23	39	27	15	26	16	5	7	20	0	28
Additional work on Saturdays	17	23	21	15	18	13	8	3	9	2	19
Working time cuts to secure employment	10	10	13	2	1	11	10	11	4	6	10
Additional work on Sundays	5	12	2	5	0	8	2	0	9	0	11
2. Income											
Cuts in special bonuses	17	20	13	16	37	14	31	8	19	4	12
Reduction of pay increases to sector norm	11	8	10	17	9	28	5	3	5	2	10
Lower grading	8	5	8	11	12	6	32	8	24	11	9
Suspension of agreed increases	8	5	8	12	25	10	1	4	5	0	9

Source: Seifert, 2000

In the Netherlands, two sources provide extensive but not exhaustive coverage of collective bargaining (Huiskamp, ‘The Netherlands, Overview’). Firstly, the Labour Inspectorate regularly studies the application of recommendations put forward by the ‘Labour Foundation’ on collective bargaining. The survey deals mainly with sector and company-level agreements covering large numbers of employees. Secondly, the main union, the CNV, keeps records of sector and company-level agreements signed by its representatives, and many agreements covering small numbers of employees are among them. These two databases can be studied according to the topic dealt with in the agreement, enabling agreements containing innovative provisions on job creation to be identified. It is not possible, however, to find out from this information whether these clauses explicitly bind the signatories to objectives of competitiveness. It can be assumed from the context of negotiations on employment in the Netherlands (see Chapter 1) that this link is always there, at least in an implicit form.

In other countries there are no overall statistics that allow the volume of clauses relating to employment to be calculated. In those cases, national experts combine the use of partial surveys

carried out by ministries, employers or unions, and compile a list of examples of agreements referred to in the specialist press. In the remainder of this report, an evaluation of the extent to which PECs have developed in each country will be based on the assessments provided by the specialists in the respective nations.

The complexity of systems of consultation and negotiation on employment

Although this study is focused on company negotiation and its links with sector-level negotiation, the multiplicity and linking up of systems of consultation and negotiation of PECs cannot be neglected. Three main distinctions should be made here (Table 5.)

Table 5 Level and nature of PECs

Geographical level	Field of application		
	Multisector	Branch	Company
National	B + T	B (+T)	B
Regional	B + T	B	
Local	T		B

Note: B = bipartite T = tripartite.

The actors. Typical *bipartite* agreements involve employers' organisations or company management on the one hand, and the unions on the other. However, in some countries, company and workplace negotiation can function with elected representatives of the staff (works councils), or even, in France, with employees 'mandated' by an outside union. PECs often provide the chance to introduce these forms of 'atypical' negotiation or to increase their number. PECs are also the subject of *tripartite* processes, involving employers' organisations, unions and the state (or the regional or local authorities). The term 'tripartite' can be too limiting, as other actors may participate in this process. In Ireland, for example, farmers' organisations and various associations representing 'civil society' have taken part in the signing of national pacts. Similarly, local development or training bodies are often signatories to territorial pacts. These tripartite processes can take the form of a consultation exercise (e.g. to design National Action Plans), or they may lead to the adoption of joint resolutions, e.g. in the Netherlands, as part of the Labour Foundation (*Stichting van de Arbeid*). In some countries (Ireland, Finland, Portugal and Italy) they take the form of agreements binding on their signatories ('social pacts').

The geographical level. Negotiation and concerted consultation on employment at different geographical levels has started to develop in the recent period. Apart from the volume of activity at national level, which has increased in some countries, regional or local activity is also taking place, either because collective bargaining is usually carried out at that level, as in Germany, or because some of it is (Italy and Spain); or because regional or local authorities, which boast elected assemblies and a degree of autonomy, have decided to enact a pro-active employment

policy in consultation with the protagonists in industrial relations – see Chapter 4, *Statutory and negotiated regulations* (c). Lastly, a large number of highly diverse initiatives are being implemented at local level, often stimulated by the European ‘Territorial Pacts’ programme².

The field of application. Multisectoral agreements on employment occur at three geographical levels. They may cover all or some economic activities e.g. all those in competitive sectors. There are both national and regional sector-level agreements, which are almost all bipartite, but there are examples of tripartite agreements, particularly in connection with the management of restructuring in those industries hit by recession. Lastly, it should be pointed out that company agreements on employment that concern large corporations and large-scale public utilities with a number of workplaces, are often complex. Frequently a framework agreement is signed centrally, and its implementation is conditional on the signing of workplace agreements laying down the specific way in which it will be put into practice.

The three types of distinction are thus interrelated and have engendered the complex system of negotiations/consultations on employment illustrated in Table 5. The study of company and sector-level PECs must take into account this interaction with the other levels.

Summary and conclusions

Over the 1990s, collective bargaining directly on the issue of employment has come to occupy a central place in the social agenda of the EU countries. This constitutes a major change in the content of collective bargaining. Although the broad diversity of statistical sources does not allow comparisons to be drawn between the relative numbers of PECs, the conclusions to which the national experts have arrived bears out the experience of their growing importance in most of the EU nations.

The majority of negotiations on employment, especially PECs, have been ‘defensive’. In other words, they have been aimed principally at avoiding or limiting job losses or mass redundancies, in exchange for a lowering of labour costs and/or an increase in levels of flexibility and length of working time in the organisation. A minority of agreements, however, have been more innovative.

PECs are part of a complex web of negotiation and consultation, in some cases bilateral, and in others, tripartite. Such negotiations may be held nationally, regionally or locally; and at cross-sector, sector and company level. Thus, a number of mutually dependent relationships have generated specific patterns of development within each country.

² Spineux *et al.*, 1999, Chapter 4; and Spineux *et al.*, 2000, Chapter 3.



Chapter 3

Content of the agreements

This chapter seeks to show which strategies have been adopted by individual PECs to improve employment and competitiveness. As their content shows, the approaches they take differ greatly, covering a broad range that can be broken down into six areas: (1) income-related issues; (2) the organisation of working time and work organisation; (3) activities related to continuing vocational training; (4) measures facilitating atypical employment; (5) employment guarantees and (6) arrangements governing socially acceptable redundancies. This overview, which establishes a structure, should provide points of reference for at least tentative statements about the strategic pattern adopted in each case. The question is whether the measures in question are short-term steps taken merely for the purposes of cost-cutting, with a view to surviving a temporarily precarious business situation, or whether they also promote medium-term and long-term restructuring by companies, boost productivity, and improve firms' ability to adapt to a changing environment. In addition, an effort is made to lay down initial bases for explaining the different priorities and patterns of PECs, and to show which potential parameters are significant with regard to the emergence of specific strategic patterns.

Strategic patterns

Although Europe is becoming more and more integrated, the individual countries looked at in this paper are adopting very different approaches to solving problems of employment and competitiveness. Nevertheless, all national approaches appear to have two elements in common. Firstly, in all the countries researched here, issues to do with employment and competitiveness have – either explicitly, or at the very least, implicitly – become the subject of collective or at least company-level agreements. Secondly, in this context new approaches to collective bargaining policy are being pursued which clearly differ from 'traditional' collective bargaining

policy in a number of ways, both in terms of their explicitly formulated or implied objectives, and in terms of content. They not only include the wage as a variable for employment and competitiveness, but also greatly enlarge the area of strategic action, extending it to a broad range of added variables such as the organisation of working time, working practices, and so forth. Some of these new agreements go hand in hand with far-reaching changes in the organisational and procedural ways in which negotiations are conducted or implemented. Besides a distinct trend towards the decentralisation of collective bargaining policy, individual countries are setting up new institutions, particularly advisory bodies, which influence collective bargaining policy at least indirectly (see under 'Procedural aspects' later in this chapter).

In addition, PECs were launched at different times in different countries, even though mass unemployment is not just a phenomenon of the 1990s, but reaches well back into the 1970s. In some instances (e.g. in the Netherlands and Italy) they resulted from long-term, ongoing processes which began in the early 1980s in the wake of the second oil crisis. In others (e.g. in Germany or France), PECs were only placed on the political agenda in the 1990s, during the worldwide recession.

It comes as no surprise to find that the content of PECs varies greatly from country to country, with different issues selected for emphasis. Even within individual countries, the pattern of agreements at sectoral level is not at all homogenous. In fact, sometimes the slant of such agreements differs from branch to branch of the same industrial sector. What is more, as far as we can ascertain from the information provided in the country reports on dynamic trends, the direction taken by these branch-level agreements has continued to change over the last few years. PECs can therefore represent isolated, individual measures. However, they can also be part of comprehensive national strategies on employment and labour market policy, with government policy playing a central (and in some cases, even decisive) role. The various agreements concluded in the Netherlands, in particular, constitute complex packages in terms of their content, which covers subjects ranging from pay levels and wage differentiation, reductions in working time, the need for greater flexibility, and continuing vocational training, to the organisation and quality of work. This innovative approach could be described as a kind of comprehensive economic 'remoulding', which does not aspire simply to reduce the cost of employment, with the help of moderate wage agreements, but also strives for modernisation, increased efficiency and an actual restructuring of the economy. This ambitious objective is clearly defined in 'Agenda 2002', which was adopted in 1997, the main aims of which were to increase companies' and employees' adaptability and to strike a new balance between flexibility and job security. This approach contrasts starkly with partly politically motivated innovations which merely 'fiddle around' with labour costs.

Another way of categorising the agreements is to draw a distinction between 'defensive' or reactive strategies, which are geared towards preserving jobs that are at risk, and an 'offensive' or pro-active strategy, which strives to create more new jobs. This approach focuses on the actual impact on employment, but does not necessarily also cover the criterion of competitiveness. Thus, for instance, whilst the redistribution of work in the context of a collective reduction of

working time or increased part-time work can certainly increase the level of employment (in the short-term), it might have no impact – or even a negative effect – on competitiveness, structural change and conditions for growth. If we take the criterion of competitiveness as our basis, then innovations like this can be described as defensive strategies geared only towards reducing employment costs. However they leave the existing form of work organisation and the structure and range of production unchanged, so ultimately they only give companies a competitive advantage in the short term, giving them breathing space and leaving their endemic structural problems to be dealt with later on. The report on Ireland also describes this bargaining scheme as concession bargaining, but does not go on to define the concept in any greater detail. Only when measures fostering productivity or structural changes are introduced at the same time does it appear justifiable to speak of offensive strategies. Of course, there are also combinations of these two extremes, i.e. approaches aimed on the one hand at overcoming short-term crises simply by reducing costs, but on the other hand at coping with medium-term structural changes by improving work organisation and the workforce's qualifications.

Lastly, the various strategies adopted can also be differentiated in terms of which actors are involved. Government policy plays a key role in some countries by changing the leeway for innovation in collective agreements within the framework of the law. For example, over recent years, starting in the mid-1980s, Spain has seen comprehensive legal steps taken towards deregulating the labour market. The scope of these steps includes wage structuring, the various aspects of working time, the use of fixed-term employment and protection against dismissal. Part of the legislator's role in regulation – previously the province of the government – has been delegated to the parties engaged in collective bargaining or in some cases even company-level negotiations. Another example of government intervention is provided by the amended laws on working time in Austria, which provide for extended night or weekend work, but delegate the determination of the form it should take to the actors involved in collective bargaining. Government policy can also play a different kind of role, participating directly in tripartite agreements on financing certain measures, as is the case, for example, with job-rotation schemes in Scandinavia or in Austria (see the section on training elsewhere in this chapter). Alternatively, as is the case in the Netherlands, government policy can go hand in hand with collective bargaining policy, ultimately paving the way for progress to be made at that level and/or boosting its acceptance. For example, trade unions and workers in the Netherlands would presumably have found it harder to swallow moderate collective agreements if a tax reform designed to balance out the effect on workers' net incomes had not been undertaken at the same time.

This tremendous variety in the content of agreements makes it difficult to identify types of PECs. What is more, the various criteria by which PECs can be differentiated and classified into groups partly overlap. In some countries different types of PECs sometimes co-exist. Some agreements appear to be clearly geared to specific sectors (for example, maritime shipping in Sweden) and therefore cannot be taken as a basis for further generalisations.

In terms of their content, pacts for employment and competitiveness cover a broad range of areas that can be roughly grouped as follows:

- 1) Income
- 2) Structuring working time and work organisation
- 3) Vocational training
- 4) Facilitating atypical employment.
- 5) Job/employment provisions
- 6) 'Cushioned' redundancy agreements (staff support, rationalisation agreements, measures to help redundant workers find alternative employment).

Some agreements cover only one of the above areas; others combine individual elements of various areas into complex packages. Here, the structuring is more formal, and says nothing about functional relationships. According to the rough classification above, differentiating between passive and active strategies, the approaches cited under 1), 4) and 6) can primarily be ranked amongst strategies aimed at cost reduction. To some extent the remaining approaches seek to cut costs too, but they also go beyond this and attempt to boost the workforce's productivity and improve the firm's adaptability.

Income

The special agreements on income concluded in PECs cannot be separated from the background of general collective bargaining policy. Indeed, they are part of it, both elements being inextricably intertwined. On the one hand, developments in collective bargaining policy are always a result of PECs; on the other hand, the very existence and the slant of PECs depend on general developments in collective bargaining. In any case, it does not appear implausible to assume that the pressure to conclude special agreements to safeguard employment and competitiveness will diminish with the conclusion of general, moderate wage settlements, and vice versa.

To understand wage agreements in the context of PECs, it is worth taking a quick look at how income and distribution have developed in recent years. In the 1980s, the countries of the European Union reached a real watershed in collective bargaining policy (Schulten, 1998)

Whilst it is true that the adjusted wage ratio is only a rough indicator for functional income distribution, since wage incomes also include elements of returns on capital, such as interest, dividends and so forth, it can nonetheless provide guidelines for dividing national income into earnings from employment and investments, and can at least indicate the directions in which the ratio between the two is developing. With the exception of 1980-1981 and 1990-1991, wage settlements in Europe on average have always lagged behind rises in productivity. In every country looked at here – with the exception of the United Kingdom, where it has remained more or less constant – the adjusted wage ratio has fallen. Indeed, during the 1990s this development has even speeded up. At the same time, there are clear differences between the trends in individual countries, both in terms of their extent and their duration. The biggest drop in the wage ratio, during both the 1980s and 1990s, took place in Ireland. However the wage ratio in the Netherlands and Spain also fell significantly, although the pace of the decline has clearly slowed

during the 1990s. This contrasts with the situation in other countries, such as Denmark, Austria, France and Finland, where the wage ratio declined even more sharply over the same period.

Table 6 Development of the wage ratio in the European Union (1961-1998)

	Adjusted overall wage ratio (% of GDP to factored costs)				Changes in wage ratio (in % points)			
	1961- 1970	1971- 1980	1981- 1990	1991- 1998	1961- 1970*	1971- 1980	1981- 1990	1991- 1998
Belgium	69.1	74.4	72.9	71.0	0.5	5.3	-1.5	-1.9
Denmark	75.4	77.9	74.4	69.9	4.0	2.5	-3.5	-4.5
Germany**	71.6	73.7	70.9	68.1	1.0	2.1	-2.8	-2.8
Greece	75.2	66.6	73.7	71.5	-10.1	-8.6	7.1	-2.2
Spain	77.2	79.0	72.9	68.7	2.9	1.8	-6.1	-4.2
France	72.8	73.8	72.5	67.5	0.0	1.0	-1.3	-5.0
Ireland	82.0	79.9	72.9	65.9	0.0	2.1	-7.0	-7.0
Italy	72.9	74.1	72.3	69.1	-1.4	1.2	-1.8	-3.2
Luxembourg	62.5	71.0	72.1	71.4	1.5	8.5	1.1	-0.7
Netherlands	69.0	74.2	67.6	65.6	6.0	5.2	-6.6	-2.0
Austria	67.8	69.7	70.7	67.6	1.6	1.9	1.0	-3.1
Portugal	66.3	79.4	72.9	76.3	-0.7	13.1	-6.5	3.4
Finland	74.5	73.9	72.9	68.3	-0.7	-0.6	-1.0	-4.6
Sweden	76.6	78.4	74.7	72.8	3.1	1.8	-3.7	-1.9
UK	72.7	73.8	73.4	73.4	1.5	1.1	-0.4	0.0
EU 15**	74.4	75.6	73.2	70.1	0.0	1.2	-2.4	-3.1

* from 1960; ** 1961-1994; West Germany;

Source: European Commission (1998): *European Economy* No. 65, pp. 296f - own calculations (quoted from Schulten, 1999a).

In a number of countries at least, this trend is linked closely to national social pacts, which placed a competition-oriented collective bargaining policy on the agenda. This policy is supported by recommendations made by the European Commission. Indeed, as early as 1993, as a guiding principle for raising wages in real terms, the European Commission suggested that they should remain on average around one percentage point below the productivity rate (European Commission 1993, p. 53). This moderate wage policy meant that real employment costs per employee rose demonstrably more slowly than GDP per employee. However, improved profitability has not had any effect on employment to date (European Commission 1999, p. 16). It is probably fair to say that this moderate collective bargaining policy, embraced more or less warmly by all the EU Member States, has eased a fair amount of the pressure to make wages policy concessions in the context of PECs, rendering separate arrangements largely superfluous. At the same time, however, the impact of special wage agreements concluded in the context of PECs and designed to boost competitiveness and employment, is reflected in the drop in the wage ratio.

Agreements on wages affect both general levels of pay and a range of other issues, including the following:

- reductions and differentiations in collectively agreed remuneration;
- cuts in work done at above the agreed rate;
- the suspension of increases in collectively agreed rates;
- the introduction of beginners' rates for certain categories of employees, e.g. workers starting their careers, the unemployed and/or the long-term unemployed;
- postponing adjustments to collective bargaining agreements for certain groups, e.g. small businesses;
- reductions in training pay.

The agreements investigated contain only individual components of this wide range of wage-related issues. No single agreement contains all the elements listed here, but all are found across some of the agreements taken into account. Some PECs make agreed wage changes subject to certain preconditions, such as proven economic crises. In the PECs presented in the national reports for Denmark and Sweden, special agreements on wages are conspicuous by their absence.

Against the backdrop of moderate wage development, the parties to collective bargaining in Germany have focused on extremely varied aspects of wage structures in the different sectoral agreements concluded via PECs. The sector-specific agreements there cover the full range of different wage-related issues. In the metalworking industry, so-called general opening clauses or hardship clauses (eastern Germany) offer the actors at company level, i.e. the management and works council, the possibility of lowering salaries below the agreed level for a specified period of time. Meanwhile, in the chemical industry it has been generally agreed that to safeguard employment and/or boost competitiveness the agreed basic salary can be reduced by up to 10%. In addition, companies may pay long-term unemployed workers who have just been hired a wage reduced by up to 10% over a one-year period. In other areas covered by collective agreements (such as retailing in eastern Germany), opening clauses give small companies the possibility of undercutting the agreed wage level, though employment guarantees have to be agreed in return.

In Italy, general wage agreements (the agreement on labour costs in 1983 and the agreement on wage indexing and taxation in 1984) were already concluded in the early 1980s. The wage indexation system was also embraced by the public sector in 1986, which was when the first agreements on variable salaries appeared. This policy was continued in the agreement concluded in July 1993 on policy on incomes and employment, bargaining platforms, labour policies and support for the production system. Important elements in this are the abolition of automatic wage indexation and the introduction of profit-sharing and variable earnings patterns.

In the Netherlands, the Pact of Wassenaar in 1982 made Dutch collective bargaining policy one of the first to be geared towards moderate wage development. The agreement on 'A new course' in 1993 took things a step further by marking a departure from the wage formula defined by productivity growth and inflation rates, and replacing it with a stronger orientation towards the profitability and competitive strength of the sector or company in question. In addition, it was

agreed that it should be possible to use wage increases for other qualitative measures, such as training and so forth. This course was consolidated by the 'Agenda 2002', adopted in 1997, which created even more leeway for different solutions tailored to individual companies' requirements. The stated objectives of these pioneering agreements are boosting competitiveness and fostering employment.

Finland, on the other hand, has seen major concessions made within the wage system. During the grave crisis of 1992-1993, not only were general wages frozen, but it was also made possible to reduce the starting wages of workers entering the jobs market for the first time, or requiring training, by between 10% and 50% over a fixed period of time

Various agreements in Finland (in the public sector), and similarly in Austria, allow for cutbacks or even the complete elimination of fringe benefits.

Lastly, there are also long-term wage agreements, like those concluded in various UK car plants, which are intended to give the plants in question greater security with respect to planning the development of labour costs.

The fact that special arrangements on wages are relatively unimportant in PECs is not due to pay rises alone, which on the whole are only moderate and have already absorbed at least some of the pressure for further wage restraint. An additional factor is surely that the parties to collective agreements have succeeded in improving employment and competitiveness in some other way, especially through new working time patterns and measures related to work organisation. On the other hand, it seems plausible to argue that individual steps to reduce income (other than general wage moderation) jeopardise the attempts at plant-level restructuring that are made using measures involving working time, work organisation and qualifications. Drastic cuts in workers' incomes in isolated sub-sectors can lower the workforce's level of commitment and make highly competitive core workers more willing to seek employment elsewhere. This, in turn, lowers firms' chances of coping with the urgently needed reorientation process and boosting their competitiveness.

Structuring working time and work organisation

In every country the structuring of working time is the subject of collective or tripartite agreements concluded with the express intention of either safeguarding jobs that are at risk or creating new ones, as well as enabling more flexible working time arrangements to reduce factor costs and enhance competitiveness. The agreements concerned cover various aspects of working time. Some focus on the duration of working time (shortening or extending working hours), while others have to do with work distribution, promoting schemes that are more variable than those adopted to date. Still others shift the focus of working time, heading towards more night or weekend work. These various aspects of working time are the subject of agreements either individually or combined with others. Accordingly, the combination of shorter working hours and more flexible working times, which can be observed in some cases, may be interpreted as a

kind of deal between the negotiating parties. The proposals in the Dutch 'Agenda 2002' of 1997 provide an example of a comprehensive working time package. They concern the expansion of variable working time schemes and extended company operating time as well as working times that suit workers better, including an expansion of part-time work. The latest agreements on working time policy concluded in France are at least as comprehensive, and they too combine shorter working times with their own measures designed to increase flexibility.

The various approaches taken towards structuring working time attempt to influence employment and competitiveness by using two mechanisms. Shortening working time either adapts the volume of work to decreased production, or divides a given volume of work between a larger number of people. Flexible forms of working time aim to reduce factor costs and increase productivity in order to indirectly improve the employment situation.

Duration of working time

All in all, agreements reducing working time play a smaller role than arrangements designed to allow for variable working time structures. Especially in France, such agreements represent a core policy initiative, but they can also be found in Germany, the Netherlands, Italy and Austria.

Five key variables can be identified in the different agreements. Firstly, there are differences in the actors who are the source of initiatives. In France, the government is the driving force behind achieving a reduction in working time, whereas elsewhere it is primarily the parties to collective bargaining who have played this role. This brings us to a second variable. Reductions in working time can be supported using public funds, and variously structured arrangements exist for this purpose. Thirdly, the different agreements in the individual countries cover either the entire economy, individual areas of collective bargaining (economic sectors or regions), or just specific groups of employees. Fourthly, a distinction can be drawn between approaches designed to reduce collectively agreed working time, on the one hand, and those aimed at reducing *effective* working time, on the other. The former does not necessarily have to result in a reduction in effective working time; instead, it can be offset by an increase in the amount of overtime worked. This, however, increases labour costs. Fifthly, there are instances of both permanent and fixed-term reductions in working time. Finally, it is conspicuous that the overwhelming majority of collective agreements or statutory arrangements described in the national reports provide options for company-level negotiations. These different features appear in varying combinations in the individual agreements.

In recent years the French government has made a bold move with regard to regulating working time by planning the nationwide introduction of the 35-hour working week. The momentum for this policy was generated in 1996 by the 'Loi Robien', which exempted companies that reduced working time by at least 10% from part of their social security contributions if they either eliminated the threat of redundancies or hired additional staff.

This policy was extended with the law on the introduction of the statutory 35-hour working week, which is set to apply to companies with more than 20 employees from the year 2000 and to

small companies from 2002. This will not necessarily entail the compulsory limitation of effective working time to this level for all employees, but is primarily intended to establish a reference point beyond which the payment of overtime becomes mandatory. The reduction in weekly working time is also intended to create more opportunities for introducing schemes based on annual working hours.

The government is offering financial incentives to prompt companies to introduce the 35-hour working week as soon as possible. These incentives are conditional upon a corresponding collective agreement. In addition, this reduction in working time must be at least 10%, and must boost employment by 6% or safeguard jobs that are at risk. The scope of the financial incentives diminishes depending on when the reduction in working time is introduced, but increases in proportion to the size of the reduction achieved and the attendant impact on employment. If working time is reduced by 15% whilst employment is simultaneously increased by 9%, the companies receive an additional subsidy (FF 4,000 per worker) for a period of five years. Similar financial incentives in the form of decreased social security contributions were offered in the past (1992) to promote the introduction of part-time work (between 16 and 32 hours).

The second 'Loi Aubry' (January 2000) establishes the concrete ways in which the statutory 35-hour working week will be implemented, on the basis of the content of the collective agreements generated by the first. State subsidies are still conditional upon sector or company agreements reducing the negotiated working time to 35 hours, but the conditions on creating or safeguarding jobs are now determined by the agreements and not by the law. State subsidies are unlimited in duration and have two components: a lump sum per year for each employee covered by the reduction in working time, and a supplement for low wages (decreasing between 1% and 1.8% of the statutory minimum wage). The financial incentives to promote the introduction of part-time work will disappear at the end of the year 2000.

Public sector subsidies also play a role in other time-related arrangements. In Italy, a law on job-sharing solidarity contracts (no. 863/84) offers companies the opportunity to conclude agreements on reductions in working time for particular groups of workers who receive a wage adjustment of 50% for a period of up to 24 months. There is a similar arrangement in Austria's 'Solidarity Bonus Model', which proposes the reduction of working hours and the recruitment of substitute employees. The conditions can be regulated by collective agreements or works agreements. Those employees who reduce their working hours, as well as the substitute employees (provided they have been unemployed before), are entitled to a bonus payment from the 'Labour Market Service'.

In Germany, the 'Partial Retirement Law', which came into effect in January 1998, similarly provides mixed funding. It enables employees aged 55 or older to move to half-time work for up to five years. Employers have to pay the workers involved at least 70% of former net full-time income (and pay 90% of a full-time worker's pension contributions). The law contains a provision that employers who use partial retirement for the creation of new jobs for the unemployed or for trainees, can receive compensation from the Federal Employment Service for

any additional costs incurred. Many collective agreements have now boosted the income of partially retired workers so that the overwhelming majority of employees receive at least 85% of their net full-time income, and in some cases even 90%.

A prime example of a fixed-term reduction in working hours designed to safeguard jobs in Germany is the company-level collective agreement concluded by Volkswagen AG in 1993, which reduced the working hours of the company's entire workforce by 20%, with staff receiving a partial wage adjustment of around 20% of the reduced working time. In addition, the company undertook not to announce any job losses during the two-year period covered by the agreement. Since then, this scheme has been copied a number of times, not only in Germany but also in Italy (Seifert, 2000). Various collective agreements (in the metal-working industry, chemical industry and public sector, amongst others) offer company-level actors, management and works councils the opportunity to reduce the working time of either the entire workforce, or part of it, within parameters and time limits laid down in collective agreements³. For example, in the metalworking industry the representatives of company-level actors can agree on a weekly working time of between 30 and 35 hours for a limited period. Issues of wage compensation can also be dealt with within the framework of such agreements. This option is supposed to enable redundancies to be avoided in times of economic difficulty. Similar agreements in Austria or Italy, for example, are optional, being mere elements for consideration in company-level agreements. However, in this context it should be noted that reductions in working time agreed within the framework of PECs do not constitute changes in collectively agreed working hours, but instead create additional possibilities for undercutting the collectively agreed working time over a fixed period and within defined parameters.

Other arrangements also strive for a reduction in the time effectively worked, but by maintaining the contractual working time. By introducing individual working hours 'accounts' and/or variable models of annual working time, they are both increasing the leeway for the flexible organisation of working time and attempting to limit the amount of overtime worked. For instance, one arrangement concluded in 1997, which introduced working hours accounts in Austria's metalworking industry, provided for a credit of up to a maximum of 120 hours, stipulating that working hours accounts had to be balanced within the space of a year. If the overtime worked by an individual is not compensated by time off in lieu, a bonus becomes payable, which increases labour costs. This approach is meant to provide an incentive to limit the amount of overtime worked and safeguard employment.

Other agreements (in Austria) give employees the opportunity – but not a legally enforceable right – to take an unpaid career break of between six and 12 months, while retaining the right to return to their old job. More extensive in terms of employment policy is the 'Solidarity Bonus

³ Where agreements on collectively agreed reductions in working time are concerned, the problem of differentiating between PECs, on the one hand, and 'normal' collective bargaining policy, on the other, becomes particularly acute. For example, the agreed reductions in weekly working time since the mid-1980s are not classified as PECs, even though the unions' stated aim was to use them to alleviate employment-related problems. Reductions in working time have also constituted a core area of collective agreements concluded in the Netherlands.

Model' that links reductions in working time with the hiring of new staff, also on the basis of reduced working time. If this time is used for continuing vocational training, then in certain circumstances the Labour Office pays out bonuses. (The report does not go into any further detail on this.) Both established workers (working fewer hours) and newly hired staff who were previously unemployed are eligible for a bonus from the Labour Office. The actual size of this bonus is based on a fictional unemployment benefit.

However, some agreements concluded in Germany also allow for the extension of regular working time beyond the collectively agreed level. For instance, the parties to company-level bargaining in the chemical industry (the management and works council) are allowed to increase weekly working times from 37.5 hours up to 40 hours, or to scale them back to 35 hours. A similar agreement was concluded in the textile industry, which permits actual working hours to deviate up to 6.75% above or below contractual working time. In addition, a series of companies from other sectors of the economy have also temporarily increased the average weekly working time, without paying overtime bonuses. The national reports do not indicate any comparable arrangements in other countries.

Distribution of working time

Agreements on the variable distribution of working time have a part to play in all the countries included in the survey, and are the subject of PECs, albeit taking different forms. In individual countries, like France, agreements to extend variable working time arrangements are the subject of comprehensive packages in working time policy, combining shorter working times with greater flexibility. Annual working time agreements are commonplace, although the introduction of such schemes can have far-reaching consequences on the remuneration system in question, as well as on work organisation. These aspects are dealt with explicitly in some individual agreements. Sometimes annual working time schemes are expressly intended to replace overtime and bring actual working time closer to what was collectively agreed (e.g. in Ireland and France). In such cases, more flexible working time also effectively reduces working hours.

In the Netherlands, the Working Hours Act of 1996 offers companies the opportunity of varying their distribution of working time throughout the year, depending on their order book situation and in consultation with workforce representatives. In this way, periods when overtime is worked, i.e. when the company's order book is full, can be offset by shorter working times during slower periods, thereby saving on bonus payments. The arrangements in Finland, offering workers the opportunity of turning paid overtime into corresponding time off in lieu during periods when companies' order books are less full, are based on a similar principle. Converting money into time is also intended to help avoid seasonally conditioned unemployment.

Sometimes the introduction of annual working time arrangements also entails a switch to a corresponding income system running on an annual basis. Sometimes changes in work organisation inexorably follow increases in working time flexibility and, above all, the introduction of teamwork (Ireland). There is no systematic research, however, on how widespread the use of working hours accounts and/or annual working time schemes are, although

one survey conducted in Ireland in 1999 reports that 11% of companies have annual working time arrangements.

Another scheme (in the hotel and catering trade in Sweden) also attempts to consolidate the number of permanent staff, in a sector characterised by marked seasonal variations, by means of annual working time schemes. Working hours are planned up to one year ahead, with 80% of working time fixed in advance. The remaining working time can be settled flexibly in consultation with the workers involved. This flexible model tailored to staffing levels that are subject to seasonal fluctuations is supposed to supersede the use of fixed-term and part-time work, whilst at the same time allowing the flexible use of work and rendering overtime payments unnecessary.

In Austria, the government set the framework for variable working hours models with its 1997 Working Hours Act, leaving it up to the social partners to flesh out any actual arrangements according to their specific sectoral requirements. This arrangement is designed on the one hand to limit overtime and on the other to prevent the payment of overtime bonuses as far as possible. Thus, the metalworking industry, for example, has concluded an agreement limiting the longest working week to 45 hours, and has introduced working hours accounts, allowing time credits of up to 120 hours, which have to be used up within the space of a year. If overtime is not offset by time off in lieu within the planned period, a bonus that is higher than normal overtime payments then becomes payable. In the printing industry, where a similar arrangement applies, this bonus amounts to 50%. Here, compensating for overtime with time off is mandatory unless the local labour office cannot prove that enough qualified workers are available to do the work in question.

Shiftwork

Shiftwork is comparatively rarely covered by PECs, and has been mentioned only in connection with Austria and Germany. This may have something to do with the fact that in most countries, existing collective agreements do not constitute a real barrier to the expansion of production or level of services provided in what is possibly regarded as the problematic area of night and weekend work. In this respect these do not come up as topics for negotiation. The conditions applying to night and weekend work were normally set out by the parties to collective bargaining long before the advent of PECs. They cover mainly the size of the bonuses paid for such atypical working times and the number of hours to be worked, which, in some countries and some collective bargaining areas is well below the otherwise customary, collectively agreed 'norm', because of the special strains imposed on workers' health or restrictions on their participation in social and family life.

In Austria, after the legal ban on night work by women working in the manufacturing sector was lifted, collective agreements were concluded in both the metalworking industry and the food sector which permit night work on a voluntary basis and allow employees the right to be able to return to day shifts.

In Germany, a new Working Time Act has been in force since 1994 which broadens the exceptions for productive activities (in the industrial sector). In the context of this new law, a number of plant-level agreements on the safeguarding of jobs have also included an expansion of plant utilisation times (Seifert, 2000).

Work organisation

Although it can be assumed that flexible patterns of working time (as observed in all countries) probably cannot be introduced without corresponding adjustments to the organisation of work, not all correspondents report that agreements have also been concluded in the latter area. This could have to do with the fact that while changes in working time represent an area for settlement that requires codified agreements (because of legal arrangements or rules governing collective bargaining law or co-determination rights), changes in work organisation tend to be negotiated on an informal basis. If the cost-cutting and productivity-enhancing potential of flexible working time patterns is to be genuinely exhausted, then not only does working time have to be organised in a new way: agreement also has to be reached on work organisation. The need for such a comprehensive restructuring of working time and work organisation arises in particular when making working time more flexible is aimed at balancing out companies' frequently divergent time requirements, on the one hand, and the time-related interests of employees, on the other.

The fact that PECs in the UK and Ireland in particular regulate certain aspects of work organisation may have to do with these countries' rules and regulations governing work. Changes in work organisation are aimed at initiating ongoing processes to improve and boost company productivity, whilst also improving the firms' functional flexibility. In this context, it remains to be seen whether improved functional flexibility can substitute for external flexibility, and at least partly replace the practice of hiring and firing. Internal flexibility, to keep pace with fluctuating production/service-related requirements, is primarily geared towards adapting working time and changing work organisation whilst at the same time ensuring that employees are as broadly qualified as possible (OECD, 1986). When stringent work rules are applied, internal flexibility soon runs up against its limitations. External flexibility, on the other hand, feeds mainly on fluctuations in the number of staff resulting from hiring and firing but also on fixed-term contracts and temporary work.

Approaches to changing work organisation seek to introduce teamwork and to strengthen workers' relative on-the-job independence as they acquire broader multifunctional skills. Both of these are key prerequisites for the effective introduction of flexible systems of working time, allowing working time to be organised in a decentralised and partly autonomous manner, with mutual prospects for representation.

Training

Aspects of continuing vocational training and/or the gaining of qualifications are a feature of negotiations in the Scandinavian countries (Sweden, Denmark and Finland) and also Austria. They are shored up by a well-established system for promoting continuing vocational training within the framework of active labour market policy. This is why, as a rule, the agreements in

question are tripartite arrangements, involving the social partners, employers' federations and trade unions, as well as government and/or public bodies playing an active role in labour market policy. Continuing training is often organised within the framework of job rotation models. On the one hand, such models offer employees the opportunity to undergo continuing vocational training outside the workplace for a certain period of time, thereby enhancing their employability both within and outside the company. At the same time, companies can adapt their workers to new demands imposed by internal structural changes. On the other hand, unemployed persons are given an opportunity, at least for a limited period of time, to work, demonstrate their skills, upgrade their ability to work and earn an independent income. In recent years more and more European countries (Portugal, Germany, the United Kingdom) have introduced job rotation models, some of which are still at an experimental stage. However, judging from the remarks made in the national reports they do not constitute an element of PECs in these countries.

Denmark also has agreements governing continuing vocational training. Various approaches to job rotation programmes were introduced as part of the 1993 reform of labour market policy, including the laws on an active labour market policy (*Lov om en aktiv arbejdsmarkedspolitik*), on arrangements governing paid leave (*Orlovsordningerne*), and on promoting adult education (*Lov om støtte til voksendannelse*). The common principle of job rotation models is that the company employs substitutes during the period when employees participate in training and educational courses. For measures based on the law on an active labour market policy, for up to six months the Labour Office pays an allowance amounting to the maximum unemployment benefit, provided that the employer continues to pay the workers the normal wage during the training period. In many cases, public programmes also assume the costs of continuing training. Some sector-level agreements contain provisions on a fund for persons on educational leave.

In Sweden there are individual projects in just a few individual sectors of the economy, like the 'Starry Sky' agreement in the building and construction industry, for example, or the 'Visby Agreement' in the graphics industry. In the way they work, these agreements bear similarities to the Danish job rotation schemes. The agreement in the building trade offers companies the opportunity of releasing employees for up to a year on full pay to undergo continuing vocational training. During this time, unemployed construction workers are taken on and paid, with the government agreeing to pay part of their remuneration in the form of subsidies.

The agreement in the Swedish printing industry comprises a package that on the one hand assures companies a higher level of flexibility in their organisation of working time, and on the other guarantees employees a right to continuing vocational education to ensure that they remain employable. The rights to continuing training are linked to an annual assessment of professional competence.

Job rotation schemes have also been introduced in Austria, although workers do not have a legal right to take part in them. The Labour Office pays out subsidies subject to certain conditions (which were not specified any further in the report). Workers in the electricity supply sector are entitled to one week's paid study leave per year, financed out of funds specifically set up for this purpose, which are jointly administered by the management and works councils. The scheme of time off for continuing training has become the norm and has been adopted in other sectors.



Facilitating atypical employment

There are occasional agreements which facilitate and/or extend atypical forms of employment. In Italy, the law on ‘norms concerning the enhancement of employment’, passed in June 1997, laid the foundations for this step towards deregulation which is intended to help boost productivity. The law offers the parties to collective agreements the possibility of using temporary work, particularly in sectors that are subject to strong seasonal fluctuations (e.g. agriculture, construction, tourism) on an experimental basis. In addition, the law is designed to promote part-time work with the help of incentives (not specified in any greater detail in the report) and to extend machine time by putting on special weekend shifts.

In the Netherlands it was agreed that after a certain period of employment, workers employed on a temporary basis would be made permanent.

Job/employment provisions

The agreements on employment can aim to either boost employment, safeguard existing jobs or limit the extent of redundancies. Generally speaking, agreements to safeguard existing jobs predominate over those which aim to boost employment. Where efforts to safeguard jobs are concerned, there is a range of options of varying scope:

- a) desisting from operationally conditioned job losses;
- b) limiting the number of redundancies/maintaining employment at a certain level;
- c) undertaking to make further investments in a plant;
- d) promising to keep a plant open;
- e) turning fixed-term jobs into permanent ones;
- f) concluding agreements on youth training schemes.

Boosting employment and safeguarding jobs at risk are the central aims of reducing working time in France, where public subsidies are explicitly tied to certain job growth margins (cf. *Duration of working time* earlier in this chapter). Whilst these reductions in working time directly increase employment by redistributing work, other initiatives indirectly seek to raise the level of employment without closely linking the employment criterion with the measures and their financial support.

The job rotation models employed in various countries are also closely linked with a direct impact on the employment situation. Although they do not directly boost employment, they do reduce joblessness. In the medium and long term, improving employees’ skills can help to boost companies’ competitiveness and thereby also exert a positive influence on the demand for labour.

One PEC scheme geared towards boosting employment, which is probably unique to date, is contained in an agreement concluded in the German metalworking industry in Lower Saxony in 1998, known as the ‘Collective Agreement for Promoting Employment’. This arrangement

provides for the establishment of a joint association, run by the employers' federation and the trade union, to promote employment in the metalworking industry with a view to creating additional jobs in the industry in Lower Saxony, promoting more part-time work and continuing vocational training, and boosting the chances of employment of disadvantaged young people. At company level, management and works councils can negotiate the introduction of part-time work for the entire company or for parts of it. The workforce will receive a certain wage adjustment for a pre-specified period of time, financed out of a fund initially totalling DM10 million provided by the employers' federation. In return, the workers covered by the scheme do without DM2.5 per month associated with the bank charges relating to their salary transfers.

Collective agreements at sectoral level that contain an explicit guarantee of employment, or indeed a promise of additional employment, are rare. This is hardly surprising. It is highly unlikely that any consensus on employment guarantees could be reached, industry-wide, between the companies covered by the scope of such an agreement. As a rule, they find themselves in different economic situations; differ in their views about future economic developments; and have different sets of tools at their disposal for resolving existing and anticipated problems. In addition, the federations concluding collective agreements lack the means to influence corporate employment decisions directly. They 'merely' help to shape the framework conditions for such decisions. As a result, when all is said and done, employment guarantees and promises about new jobs are determined by the company in question. Collective agreements can, however, tie certain concessions, for example on lowering wages or structuring working time in a more flexible manner, to company-level promises on employment guarantees or the creation of new jobs. They give companies certain options in specific situations. Such conditional ties are above all found where state subsidies are at stake in PECs, for instance in connection with the law governing part-time work for older employees in Germany, job rotation schemes in Scandinavia and Austria and the introduction of the 35-hour working week in France.

A number of collective agreements in Germany also offer (on the basis of opening clauses) options for fixed-term guarantees of employment. Such guarantees, however, are conditional on the conclusion of company-level agreements on wage restraints and/or wage sacrifices, or reductions in working time. However the collective agreements themselves do not give actual guarantees of employment; rather they provide companies with the opportunity of doing so. There are similar arrangements in Finland, where some public-sector workers receive a guarantee of employment limited to the period covered by the agreement in return for wage concessions (e.g. giving up holiday pay) which are agreed within the context of so-called 'savings agreements'.

Various versions of employment security agreements have also been agreed in both the UK and Ireland. In part, they contain employment guarantees for workforces that have been cut after waves of redundancies, and in part they are closely linked to comprehensive plant-level restructuring programmes and are intended to secure the necessary cooperation of the workforce. However, in individual cases they are also related to imminent company takeovers.

In Italy in 1993, two programmes for combating youth unemployment were introduced. The first involved apprenticeship contracts that were designed to offer youngsters theoretical and practical access to specific technical qualifications. The second involved 'labour training contracts', applying to lower and middle-level qualifications, intended to prepare young people up to the age of 32 for jobs and careers.

In this context it is also worth mentioning the change brought about by the Agenda 2002 agreements in the Netherlands, marking a departure from the original policy objective of job security and moving towards employment security. In the future an attempt will be made to facilitate changing jobs. This should increase internal flexibility and ultimately also bolster employment security.

Handling redundancies

A number of PECs have established new ways of dealing with situations where job losses are inevitable. In these cases there is a wide range of measures which can be described within the concept of 'cushioned' staff reductions, including rationalisation agreements like those in Ireland, which, on the one hand, provide for special payments to be made to the departing workforce, and on the other, provide for agreements on the introduction of a new form of work organisation to be concluded with the remaining staff. Job losses in one part of the workforce as a result of redundancy agreements can be seen as a precondition for ensuring future job prospects for another, through improved competitiveness.

Another approach is evident in the agreements reached in Austria between trade unions, companies and the Chamber of the Economy to set up legally recognised so-called 'work foundations' (cf. the 1994 Employment Market Service Act). These agreements stipulate a series of measures for redundant workers, including continuing vocational training, career advice and assistance in finding jobs, and support in becoming self-employed.

In a broader sense, this complex range of options found in PECs includes the agreements concluded in the maritime shipping sector in Sweden, which have permitted the hiring of foreigners from non-EU countries for a fixed term on Swedish net wages. In return the employers in question undertake not to use this workforce to make established workers redundant. This arrangement gives ship owners additional room for manoeuvre in using their manpower more flexibly and economically, whilst providing core members of the workforce with a kind of job guarantee.

These new institutional arrangements combine part-funding from different sources (both company-level and public) with resources from benefits under the social compensation plan. It is only this combined use of funds that has made the new arrangements possible.

Quid pro quo?

In contrast to the concession bargaining models employed in the USA, especially in the 1980s (Mitchell, 1994), PECs are mainly based, at least formally, on the *quid pro quo* principle. Both parties to collective agreements at company level grant benefits or accept cuts, either relative to existing agreements or where a consensus is reached on new conditions. The hard question is to what extent the agreements reached entail a fair exchange or an imbalance when the two parties weigh up, as they must, the costs and benefits involved. This question is hard to answer because it is difficult or impossible to quantify the 'items' being exchanged, some of which are qualitative (Seifert, 2000). For example, to date there are no methodologically suitable concepts for assessing the benefit to workers of flexible forms of working time. This is also true of job guarantees, which have to be evaluated differently for individual groups of workers, depending on the specific relationships between supply and demand in individual sectors of the labour market. Moreover, practically nothing is known about the medium or long-term impact of PECs. Have the agreements which have been concluded actually achieved what they set out to do? Have they succeeded in improving the employment and competitive situation in the medium term? Were workers' concessions revised once the agreed phase ended?

Notwithstanding these unanswered questions, at least an attempt shall be made here to weigh up some of the benefits and concessions that have been exchanged.

From the workers' standpoint, (temporary) employment guarantees, investment commitments, pledges not to relocate production sites and the hiring of new staff are all undoubtedly positive, although personal assessment may vary depending on individuals' competitive position in the labour market. Shorter working times can also be considered a positive outcome of agreements, if they conform more closely to workers' specific preferences on 'time versus money' than the original working times. Continuing vocational training measures can also improve workers' position and enhance their employability. Up to now, no empirical studies have been carried out to determine the extent to which flexible working time patterns have succeeded in increasing workers' 'time benefit'⁴.

Companies and plants can ease their cost burden not only on the basis of agreements on restricted pay hikes or temporary pay freezes (or even wage concessions), but also on the basis of flexible working time patterns. PECs can also help to avoid costs by preventing imminent redundancies, thereby preserving firms' established work teams and ensuring team productivity and the amortization of investments in human capital. Measures to organise work hold out the promise of productivity gains. These cost and productivity benefits, which in some cases are substantial, may face possible risks from (temporary) employment guarantees. For firms going through a period of economic turmoil, it is always hard to foresee whether the improved business

⁴ In Germany, a representative survey of works councils reveals that the overwhelming majority see more advantages as regards workers' organisation of their time in the introduction of working time accounts and flexible annual working time models (WSI Projektgruppe, 1998).

situation sought through PECs will actually be achieved, or whether staff cutbacks will still become necessary. To date, there are no systematic findings on these medium-term interrelated effects to justify passing judgement.

Finally, when assessing the performance of both sides, account should be taken of the fact that their outlook in terms of timing may differ. Whereas promises of jobs are mostly valid for a limited period of time, it remains unclear with respect to the ground covered or concessions made by workers in the context of PECs to what extent changes implemented in workers' incomes or working time will revert to the previous situation when agreements expire or the competitive position and economic situation improve. For instance, reversibility is rather unlikely, especially when models of flexible working time are introduced. However, if fresh problems arise out of difficult situations, the potential for using bartering to negotiate changes in PECs will dwindle if workers make long-term concessions.

Procedural aspects

The emergence of PECs can undoubtedly be accounted for by a number of different factors. In most countries, although obvious to a greater or lesser extent, the triumph of neo-classical economic theory has played a key role. If the causes of stubbornly persistent difficulties in the jobs market are seen principally in incorrect factor/price ratios, attributable to forms of institutionally conditioned inflexibility, then it is only logical that the solutions being proposed are primarily in collective bargaining policy. Firstly, according to this view of things, what is called for are wage increases that are characterised on the whole by restraint, and which do not fully preclude productivity gains. Secondly, these pay rises take varying account of differences in levels of productivity and related shortages in various sectors of the labour market. A precondition for a collective bargaining policy of this kind, seen as promoting employment, is enough institutional leeway to permit a decentralised, variable collective bargaining policy.

Against this backdrop, it is hardly surprising that in a number of countries the emergence of PECs is closely linked to far-reaching changes in the existing system of collective bargaining policy and industrial relations. Sometimes these changes take very different directions. Systems of bargaining that used to be centralised, like those in Germany, create additional room for manoeuvre for company-level solutions in the context of opening clauses, and thereby boost the value placed on the corporate level of action. In the early 1990s a similar opening up of a previously centralised collective policy, shifting towards decentralisation, took place in Sweden. This course was also embarked on by the Netherlands with the 1993 agreement appropriately referred to as 'A new course', which involved trade unions and employers' federations starting out from the shared viewpoint that the competitiveness of the Dutch economy could only be achieved within a context of structural change.

However the diametrically opposite approach can also be found, e.g. in Ireland, where centralised agreements have smoothed the way for a moderate collective bargaining policy. In Finland the direction is fluctuating somewhat, with a phase of decentralisation in 1994-1995 being followed

by 'recentralisation'. This U-turn made it easier to push through a moderate wages policy. However, just lately Finland has been moving away from this approach, and is now placing the emphasis more strongly on local collective bargaining policy, which leaves more room for conditions that vary within the economy as a whole, and above all, more leeway for conditions of competitiveness. This approach is striving to attain more profit-linked remuneration.

In Spain the decentralisation of collective bargaining policy directly preceded the fundamental recognition to reinforce autonomous collective bargaining by the state. This step paved the way for a shift in competence away from action at government level and towards the competency of the parties to collective bargaining.

Some PECs are closely linked to traditionally or newly established institutional and procedural structures which are meant to play a role in the implementation of the measures agreed, but which, over and above this, are also intended to assume general pioneering and guiding functions in the context of corporatist political strategies. These include:

- Ireland's 'partnership forum';
- the 'work foundation' in the Netherlands, comprising members of employers' umbrella organisations and unions, which has existed since the early post-war period and issues recommendations regarding room for manoeuvre in distribution, as well as advising the Ministry of Employment;
- the Economic Council for Industry set up in Sweden in 1997, whose members are independent economists;
- the Round Table for Labour Market Issues in the German chemical industry, a body which serves to compile information on employment trends and draw up recommendations for improvements in the employment situation.

Most of these bodies are organised on a partnership basis. It remains unclear what influence their activities have on the establishment, implementation and application of PECs. To what extent do the parties to negotiations follow the recommendations made by these bodies? To what extent do these bodies also adopt recommendations made by the social partners? To date there has been no assessment of the influence exerted by these bodies on employment policy.

Summary and conclusions

The parties to collective bargaining broke new ground with the bipartite and tripartite agreements on employment and competitiveness. PECs can be seen as an expression of a greater readiness on the part of both parties to collective agreements to accept more responsibility in employment policy. Collective agreements seek to safeguard and boost both employment and competitiveness. Various subsidiary aims also become evident here. To differing degrees, these include directly boosting employment, safeguarding jobs at risk and finding socially acceptable solutions to redundancy. Clearly, even PECs cannot always prevent further redundancies. Other approaches are aimed at improving costs and productivity in the medium to long term, in an effort to enhance the ability of both companies and workers to adapt to structural change.



In terms of employment policy, on the one hand PECs seek to improve the supply situation and make companies more competitive, whilst on the other they are geared towards redistributing work by reducing working time through a variety of measures. These two approaches can, of course, be combined.

In an initial classification, four strategic variants of PECs can be distinguished. The first three are aimed at adaptation processes within a company, whilst the fourth is intended to improve workers' ability to adapt outside the company. The measures that distinguish them are as follows.

- (1) Measures to redistribute work which embrace collective reductions in collectively agreed and effective working time and in lifetime working hours. The extension of part-time work, as well as job rotation models, may also be included. These measures can increase the number of jobs, safeguard jobs at risk, or (at a given level of employment) reduce joblessness.
- (2) Measures to cut costs, described earlier in this chapter (*Strategic patterns*) as defensive: agreements on wage restraint or wage differentiation for either all workers or sub-groups, and the expansion of atypical employment forms; but also measures designed to shorten working time and make it more flexible. These can safeguard jobs at risk (in emergencies) and enhance a company's external flexibility to adapt through the easier use of atypical forms of employment, but they can also cause jobs to be more precarious. However, by expanding variable forms of working time they can also create greater scope for internal flexibility, and thereby supplement or even supplant external flexibility.
- (3) Measures to boost productivity and improve adaptability and competitiveness, classified (see *Strategic patterns*) as offensive or pro-active: training measures, job rotation models, making working time more flexible. These improve the medium and long-term conditions for economic growth and job creation.
- (4) Measures to improve the placement and employment prospects of redundant workers (work foundations/employment agencies and training companies). Where job cuts are unavoidable, these measures can help to guarantee a smooth transition to new job opportunities in other areas of activity, and thereby reduce the risk of long-term unemployment.

These strategic variants sometimes occur in mixed forms. For example, the reduction of working time usually goes hand in hand with greater flexibility. In addition, it is not always possible to say unequivocally whether individual approaches, like making working time more flexible, are aimed at simply cutting costs by eliminating overtime bonuses, or whether they also – or mainly – serve to switch over to a flexible form of work organisation. From the methodological standpoint, national reports have only a limited suitability for such detailed analysis, since their descriptions are at too high a level of aggregation.

Whatever the case, it is safe to say that the various approaches are still not employed in a sufficiently interlinked form, and that cost-cutting measures are simultaneously associated with productivity-enhancement efforts that not only enable short-term survival in a high-risk situation,

but also offer medium-term prospects for rapid company restructuring. Moreover, not all countries meet the preconditions, under the laws governing development, to use public instruments that (as in the Scandinavian countries) facilitate an intensive use of continuing vocational training within a job rotation framework. This obviously also affects the establishment of transfer companies or work foundations for the socially acceptable organisation of redundancies, which often occur only through the combined use of company and public funds. These last examples in particular show that certain forms of PECs depend on trilateral structures, so the specific strategic pattern of PECs also depends on public-sector participation.

In the countries examined here, there is an apparent general trend towards the dominance of approaches promoting productivity and structural change. A large proportion of the agreements concluded expand the scope for company-level flexibility. At any rate, measures designed to make working time more flexible are widespread. By contrast, agreements on an easier use of atypical forms of employment are clearly in the minority. In this respect, PECs are aimed more at increasing internal flexibility and less at expanding external flexibility. The Scandinavian countries and Austria also use training measures. Work redistribution measures are limited to a more restricted group of PECs. Pure wage concessions tend to be important as well, although this statement must always be assessed in the context of the general, merely moderate wage trend of recent years.

There is seldom a direct link at company level between employment and agreements concluded in the context of PECs. Where there is a link, it is mainly in cases where there is financial participation by the respective public institutions. The same applies to the government-initiated reductions in working time in France, and the different job rotation model or partial retirement in Germany. Obviously, public incentives can help to reduce risks that companies would otherwise not accept, and can lower the costs associated with measures designed to create jobs. Conversely, public assistance can boost the willingness of workers and workforce representatives to accept agreements on safeguarding or boosting employment that impose certain concessions on them with respect to wages or working time.

In terms of content, the four approaches adopted by PECs are geared mainly towards boosting internal and functional flexibility, which they encourage as alternatives to external and numerical adjustment. On the one hand, internal functional flexibility relies primarily on adapting work organisation and on qualifying workers; on the other, it combines this with expanded opportunities for a quantitative adaptation of the deployment of labour by means of a variable organisation of working time. (In some cases, the potential for external flexibility is even limited by employment guarantees or is cushioned by social agreements concluded in the context of transfer companies or so-called 'work foundations'.) This concept may be considered the European variant of greater flexibility, in contrast to the external numerical flexibility more typical of the U.S. labour market, which tends to favour the option of staff cutbacks to adapt the volume of work to changed conditions of demand. Internally, functional flexibility attempts to link economic efficiency with social security ('flexicurity'). This strategy, which can also be seen as a supply-side variant of the version that relies solely on wage moderation, is advantageous



primarily in areas with highly qualified workers and cooperatively organised work structures which, if dissolved arbitrarily, result in substantial losses in the firm's human capital and team productivity.

Direct cost cuts can be achieved by concluding agreements on reducing either income or working time, with the latter option certainly providing greater quantitative scope than the former. By contrast, the effect of measures with regard to work organisation and qualifications on the firm's unit labour costs, improved sales position, and, due to the enhanced exploitation of capacity, more favourable cost structures, are reflected more in a medium-term perspective. Under these circumstances, if the various measures are combined they can take on complementary functions and be merged together into comprehensive company-level reorientation strategies.



Chapter 4

Trends in employment and collective bargaining

Examination of the content of PECs allows the specific factors favourable or unfavourable to the opening of negotiations and the reaching of agreements within a company or industry to be identified. Yet the increasing widespread use of PECs has also been a direct result of the overall economic, social and legal context in which sector-level and company-level negotiations take place in each country. Three dimensions of context seem to have exerted a determining influence:

- the performance of the labour market;
- the actors' analysis of efficient means of action on employment and competitiveness;
the way in which the labour market is regulated and the organisation of the system of industrial relations.

Labour market performance

The significance assumed by PECs is obviously linked to the employment situation and the strength of competitive pressures being exerted on businesses. From this perspective, all the countries have been subject to the same trends, mainly in the form of economic recession occurring in a phase of acceleration of globalisation and European integration. However, from observing the changes in levels of employment and unemployment, the eleven countries studied here seem to have negotiated this difficult phase under very different conditions. The urgency and nature of negotiations on employment and competitiveness have assumed particular characteristics from country to country.

Common trends

The early 1990s was marked by a serious economic recession which culminated, in 1993, with a growth rate across the EU of -0.5%, while the unemployment rate in 1994 exceeded 11%. This recession involved massive economic restructuring with often huge-scale destruction of jobs in manufacturing industry. A large proportion of PECs were initially instruments for crisis management in this context.

The economic recession coincided with the stage at which the EU Member States were involved in preparations for a major step in the process of European construction, as laid out in the Treaty of Maastricht (1992) and consolidated by the Treaty of Amsterdam (1997). For those countries applying for membership of the Euro, the requirement of satisfying the Maastricht criteria⁵ added weight to the crucial need for more competitiveness. Because of this, the countries in question abandoned active policies aimed at economic recovery, and instead prioritised stability. For most of them, economic recovery up to 1998 was slow in coming and was weak and uncertain. Using a variety of methods, the individual governments (supported by their central banks) exerted pressure on salaries to reduce both inflation and the budget deficit. They presented wage restraint and labour market flexibility as prerequisites for competitiveness, and thus the best instruments for safeguarding jobs⁶. By various means (see under *Statutory and negotiated regulations* below), they encouraged either nationwide 'social pacts', or the growth of PECs at a decentralised level.

An additional factor arose from the policy enacted by European authorities to break national monopolies in public utilities and other public services, accelerating the privatisation programmes already being implemented by governments in these services in the majority of countries. The national reports demonstrate that in view of the seriousness of the social problems posed, it has often been in these sectors that the negotiation of PECs has been most appropriate and widespread.

Lastly, the opening of the internal market on 1 January 1993 intensified the policies of 'optimal location' carried out by multinationals with facilities in several EU Member States. The pitting of one production facility against another, and the willingness of unions to avoid closures and attract investment have been at the root of many of the PECs studied in the national reports.

The intensification of competition in shaky economic conditions and a context of serious threat to jobs has provided the main impetus common to the growth in the number of PECs. However, it cannot be the only explanatory factor, since there is no correlation between the spread of PECs in the various countries and the relative situation of their labour markets⁷.

⁵ Although none of them are applying to join the Euro immediately, Denmark, Sweden and the UK have all set themselves the goal of satisfying the entry criteria.

⁶ As shown above (see Chapter 3, *Income*, and Table 6), the 1990s witnessed a net reduction in the wage ratio over the entire EU, except in the UK.

⁷ Of course there is no homogenous quantitative tool for measuring the number of PECs in the various countries. We thus have to rely on the findings of national experts, which are corollaries of the way they interpret the definition of PECs given in the concept paper of Sisson *et al.* (1999).



Particular national dynamics

Tables 7, 8 and 9 suggest groupings of national performances in job creation and unemployment.

Table 7 Rate of unemployment (percentage of the labour force)

Country	1990	Maximum	1998
Denmark	7.7	10.1 (1993)	5.1
Germany	5.6*	9.9 (1997)	9.4
Spain	16.2	24.1 (1994)	18.8
France	9.0	12.4 (1996)	11.7
Ireland	13.4	19.5 (1993)	7.8
Italy	9.1	12.0 (1996-1997)	11.9
Netherlands	6.2	7.1 (1994)	4.0
Austria	3.2	–	4.7
Finland	3.2	16.8 (1994)	11.4
Sweden	1.7	9.9 (1997)	8.3
UK	7.1	10.5 (1993)	6.3

* 1991 (first year after reunification)

Source: OECD, Eurostat

Table 8 Employment (annual rate of growth, percentages)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998
Denmark	-0.8	-0.6	-0.9	-1.5	-0.4	1.4	1.3	2.1	2.2
Germany	3.0	2.5	-1.8	-1.7	-0.7	-0.4	-1.3	-1.3	0.0
Spain	2.6	0.2	-1.9	-4.3	-0.9	1.8	1.5	2.9	3.4
France	0.8	0	-0.6	-1.2	0.1	0.8	0.1	0.4	1.4
Ireland	4.4	-0.3	0.6	1.4	3.0	4.8	3.4	4.8	8.4
Italy	1.2	0.7	-0.9	-2.5	-1.7	-0.6	0.4	0.0	0.4
Netherlands	3.0	2.6	1.6	0.7	-0.1	2.4	2.0	3.4	2.9
Austria	1.9	1.9	1.5	-0.3	0.2	-0.4	-0.7	0.3	0.7
Finland	-0.1	-5.2	-7.1	-6.1	-0.8	2.2	1.4	2.0	2.4
Sweden	1.0	-2.0	-4.3	-5.8	-0.9	1.6	-0.6	-1.1	1.4
UK	0.3	-3.0	-2.1	-0.4	1.0	1.2	1.1	1.6	1.4
European Union	1.5	0.1	-1.5	-1.7	-0.3	0.6	0.3	0.6	1.3

Source: OECD

Three countries (France, Italy and Spain) have had high unemployment rates for the entire period (between 9% and 24%). This rate increased by over two percentage points between 1990 and 1998. In Italy, the volume of employment has slightly diminished, while in France and Spain it has increased very slightly. In all three countries, an increase in the number of PECs has been witnessed, but whilst the national cross-sector level has dominated in both Italy and Spain, company negotiations (not bound by cross-sectoral agreements) are the most prevalent form in France.

Table 9 Total employment (thousands)

Country	1990	1998	Variation	%
Denmark	2 674	2 701	+27	+0.1
Germany	36 510*	33 960	-2 550	-7.0
Spain	12 579	13 199	+620	+4.9
France	22 478	22 860	+382	+1.7
Ireland	1 135	1 496	+361	+31.8
Italy	20 726	20 167	-559	-2.7
Netherlands	6 315	7 241	+926	+14.7
Austria	3 578	3 745	+167	+0.5
Finland	2 486	2 222	-264	-10.6
Sweden	4 486	3 976	-510	-11.4
UK	26 783	26 985	+202	+0.8

* 1991 (first year after reunification)

Source: Eurostat, OECD

Three countries (Finland, Germany and Sweden) entered the period with low unemployment rates (below 5%) and ended it with high unemployment. In these three countries the volume of employment has greatly decreased (between 7 and 11%). Only in Germany has there been a significant increase in PECs linking sector-level and company agreements.

Three countries (Denmark, Ireland and the Netherlands) have managed to reduce their unemployment rates. Ireland started with a very high level, while Denmark and the Netherlands began with average rates. There has been very large-scale job creation in Ireland, and to a lesser extent in the Netherlands, while in Denmark there has been no such phenomenon. In just one of these three countries, the Netherlands, the number of PECs at sectoral and company level has risen. In the three countries, centralised consultation and cross-sector agreements play a major role.

A joint characteristic of two countries, which sets them apart from the others, has been a stagnating level of employment over the whole period. The UK had an average unemployment rate in 1990 and in 1998 (it reached a peak between those two dates). The virtual lack of national regulations has been accompanied by an increase in a specific type of PEC (see reference to 'the British model' below). Austria has a low unemployment rate, but one which is growing steadily. Moreover, the strength of national regulations there (sector-level and cross-sectoral) leaves little room for PECs.

Although it is indisputable that the economic outlook for the labour market has exerted a powerful influence on the increase in concerted consultations and negotiations on employment and competitiveness, there is no automatic impact on the scope of PECs at company and sectoral level. Indeed, everything depends on the actors' judgement of which of the various means of acting on the relationship between employment and competitiveness are relevant and effective.

An initial conclusion can thus be made: there is no economic determinism involved in the growth of PECs.



Relevant means of action on the relationship between employment and competitiveness

In practice, all political and social actors in the countries studied here now acknowledge that there is a close link between employment and competitiveness. However, there is divergence in positions and experiences on the issue of whether company or sector-level negotiations are relevant for joint action on these two variables, as well as differences on what the content of efficient agreements should be. The nature of the debates can be looked at on the basis of three ideal types: the British, Latin and Nordic models. The reality on the ground in each country is obviously more complicated and contradictory, but it is useful to highlight the existence of several alternative lines of reasoning among the protagonists in industrial relations. Their choices depend on various criteria: the respective weight attributed to macroeconomic policy, collective bargaining and market forces regarding the relationship between employment and competitiveness; the level at which the action should be undertaken (centralisation versus decentralisation); and the nature of the relationship between the state and social actors (tripartite agreements, formal or informal concertation, separate spheres of responsibilities).

The ‘**British model**’ has been influenced by the plan implemented by Conservative governments between 1979 and 1997. Competitiveness was expected to result from the full opening up of markets, and the need for flexibility in employment excluded the acceptance of any constraints that would reduce the chances of adjusting employment to meet the changes in demand. Consequently, there is little or no national regulation of employment, whether by the state or from negotiations between employers and unions⁸. Collective bargaining is governed by the principle of voluntarism, i.e. it only exists when both parties freely enter into it. In this context, the determining factors are, firstly, the employer’s stake in negotiation, and secondly, the unions’ ability to impose negotiation on the employer. The UK national report shows that these conditions can only be satisfied in a particular type of situation in which employment security agreements are reached.

- From the *companies*’ viewpoint, these agreements are elements in a policy of managing change. When industrial restructuring takes place, when new forms of organisation of work are introduced, guarantees of stable staffing levels (and non-use of compulsory redundancies) are granted, to reassure and mobilise workers and gain their support for the company’s business plan and acceptance of the necessary flexibility measures.
- From the *unions*’ standpoint, insiders’ reasoning predominates. They want staffing reductions to be brought about without redundancies, plus a commitment, more of a moral than a legal nature, to employment security – and not ‘job security’ – for employees who survive restructuring or reorganisation.

Thus, the context in which PECs operate is:

- limited to company level;
- limited to guaranteeing employment;
- limited to the short term.

⁸ National sector-level negotiations only survive in the public sector and in industries with a large number of small, highly competitive firms, such as printing.

However, they may represent the initial stages of more ambitious initiatives, partnership agreements, which have a more substantial content (e.g. training policy) and more innovative forms of industrial relations, such as joint regulation.

The **‘Latin model’** is based on the premise that the state, the employers and the unions share responsibility for employment, and on the complicated and unstable ways in which their actions link up. Unlike the two other models, in which a clear division is made between responsibilities and the various methods and levels of regulation, this model prioritises combinations of these and coordination between them. The Latin model also stands out because of its voluntarist character. The actors are convinced that their agreements may have a direct impact on the level of employment, e.g. by causing jobs to be created or redundancies to be avoided.

Over the decade, a dual trend has become increasingly entrenched.

- Firstly, in terms of employment, the state attributes broad responsibility to collective bargaining (the results of which it takes into account when designing its policy), and uses it as a vehicle for implementing that policy.
- Secondly, the decentralisation of collective bargaining, more or less successfully linked with the levels above, is an objective which enables adjustment to the diversity of local situations to be more effective.

The elements described above make the Latin model theoretically the most favourable context for an increase in the spread of PECs at company and sector level. The variety and originality of the agreements observed in France, Italy and Spain bear out this hypothesis, but there is no guarantee that they are efficient agreements.

The **‘Nordic model’** is rooted in both the historical conditions of the creation of the systems of industrial relations, and the economic positions of the countries concerned. The founding agreements of industrial relations, dating back to 1899 in Denmark and 1938 in Sweden, adopted two principles which have remained unquestioned to the present day:

- the solving of labour problems by collective bargaining accompanied by tripartite concertation;
- recognition that the company head has full responsibility for economic management (which includes setting staffing levels and designing competitiveness policies).

For small and highly internationalised market economies, the link between employment and competitiveness is directly imposed by international competition. The actors’ responsibility is to create favourable conditions for competitiveness.

- Negotiation on pay must ensure the competitiveness of the industries exposed to international competition.
- Collective bargaining ensures cooperative behaviour in terms of the introduction of technical changes and the management of industrial restructuring.

- A pro-active employment policy curbs the quantitative and qualitative imbalances in the labour market.

These cooperative relationships between actors in a highly internationalised context have had two serious consequences:

- Competitiveness is sought not by lowering labour costs but by improving productive performance⁹;
- Nobody (not even the unions) thinks that employers can make commitments on staffing levels.

These factors explain why national experts have had great difficulty transposing the concept of PECs as defined in Sisson *et al.*, (1999) beyond a few case studies on exceptional situations. The link between competitiveness and employment has dominated the way general regulations have worked, and in practice this has rarely meant company or sector-level negotiations explicitly linking the objectives of competitiveness and job creation. This situation, common to Denmark and Sweden, can also be seen at the moment in Finland now that the collapse of its privileged economic relations with Eastern Europe have fully subjected it to the pressure of international competition.

The other four countries are more complex to characterise. In Austria and Ireland, the state and the social partners share responsibility for various issues, including employment. This joint responsibility has been institutionalised for a long time in Austria, and has been expressed in Ireland by a series of medium-term overall multipartite agreements since 1987. The analogy with the Scandinavian countries revolves around the fact that action on employment levels is principally linked to national wage policy (whether on a sectoral or cross-sectoral basis). Because of this, and apart from the exceptions that we will look at later, the matter of PECs does not arise at company level.

In both Germany and the Netherlands, sector-level negotiation plays the dominant role, even if the form of overall tripartite concerted consultation plays a major role in the Netherlands, and one which varies in importance over time in Germany. Moreover, the Netherlands also has cross-sectoral bilateral framework agreements. In these two countries, what is at stake in PECs is related to the way in which sector-level and company agreements relate to each other. In spite of their analogy with the Scandinavian countries, these countries remain specific owing to the strategic stake in the articulation between sector-level and company agreements. We could distinguish within the Nordic model two variants: a 'Scandinavian' and a 'Rhineland' model.

It should be stressed that this is not an attempt to produce a typology of industrial relations systems, but merely to establish the relationship between the general characteristics of these systems and the space they allow for an increase in the number of PECs. Thus it becomes clearer

⁹ Which does not exclude a principle of wage restraint, i.e. an increase in pay which remains at or below that of the main competitors.

that the realisation common to all the actors in all the countries, namely that there is a direct link between employment and competitiveness, corresponds to a highly uneven growth rate in the number of PECs. Three typical lines of reasoning, corresponding to the three models, can be distinguished, bearing in mind that they are generally combined, in various proportions, in the experience of each of these countries.

- In the British model, the link between competitiveness and employment derives solely from market mechanisms, and PECs only arise on the basis of power relationships and microeconomic interests at company level. They are thus primarily suited to the interests of insiders.
- In the Latin model, the link between competitiveness and employment is simultaneously tackled at all levels, with the responsibility of each being constantly reviewed. The role of PECs is a direct result of the extent of decentralisation of the regulations, and particularly the respective roles of sector-level and company negotiation, and the way they link together.
- In the Nordic model, the link between competitiveness and employment has been the subject of general policies, with explicit or implicit tripartite agreements. The main tools are general economic policy, wage policy and pro-active employment policies. In the Scandinavian variant, PECs only figure at company level in exceptional circumstances, because the solution to the employment problem is sought at other levels; in the Rhineland variant, PECs are dependent on the link between sector-level and company agreements.

How the various levels of regulation are linked

Table 5 showed the complexity of the levels at which the process of concerted consultation and negotiation that are likely to cover the link between competitiveness and employment operates. The two determining factors for an increase in the number and scope of PECs are firstly, the ways in which statutory and negotiated regulations feed into one another, and secondly, how the same process operates between the various levels at which collective bargaining takes place.

Statutory and negotiated regulations

Here, statutory regulations are defined as those implemented by representatives of public authorities, even if, in various forms, they involve the actors in industrial relations. Collective regulations are defined as those which are generated by bipartite agreements. Regulation of employment is still mainly an area of jurisdiction of state authorities, which have retained a dominant influence in that field. For that reason, this will be the first aspect to be studied. However, two other levels of regulatory activity have acquired significant degrees of influence, particularly since the 1990s. Firstly, the European Union institutions have been granted their own areas of jurisdiction, either to produce directives on some aspects of employment relations, or to coordinate and assess national policies. Secondly, regional and local authorities have taken initiatives to promote innovations in the field of employment. In the second and third parts of this section, we will study the roles of these new actors, which only make sense in the context of the partial transfer of powers hitherto wielded by the state alone.

(a) Action undertaken by the state

(i) The influence of the state is reflected firstly in the detailed and restrictive imperative norms (legislation, executive orders, etc.) which set the parameters of the field in which negotiators may

freely act. In this area, the national reports highlight a general trend: the dwindling of the jurisdiction of state-imposed norms and the corresponding growth in that of collective bargaining. The law only sets out a general framework whose implementation depends on the signing of collective agreements and whose content can be modified by these agreements.

The most representative example of this is Spain, where the highly-detailed nature of labour legislation allowed little room for negotiation other than the traditional type which deals with wages. The legislation that reformed the labour market in 1993 and 1994 adopted the principle of autonomy for employers and unions, and has enabled decentralised negotiations to be granted exemption from the provisions of sector-level agreements. From 1995 onwards, negotiation has touched on a widening array of subjects: employment flexibility, types of employment contract and conditions for productivity. In 1997, three cross-sectoral agreements (*Los Pactos de Abril de 1997* – the April 1997 Pacts) established a new framework for collective bargaining on employment¹⁰ which prioritised permanent employment contracts and the fight against unemployment. In practice, this has meant an increase in *cláusulas especiales* (special clauses) in sector-level and company-level collective agreements which relate particularly to forms of flexibility in working time, internal mobility and multitasking, and to the introduction of new forms of organisation of work (see Table 2).

Another significant example, albeit on a smaller-scale, is that of Austria, a country characterised by a very high degree of state regulation. In 1997, amendments were made to the legislation on working time (*Arbeitszeitgesetz*, AZG), supplemented by a law on time off (*Arbeitsruhegesetz*, ARG). Although working hours and patterns of hours worked, as well as the system of overtime, are still set by the law, the new legislation allows a number of exemptions once they are the subject of a sector-level or company-level collective agreement. These exemptions include systems of flexitime, changes to working hours without overtime being payable, working on Sundays, and so on.

In a 1982 Executive Order (*Ordonnance*) on the reduction of the statutory working week to 39 hours, France adopted a similar mechanism by exempting sector-level and company agreements from statutory regulation in certain circumstances. This was extended several times afterwards, particularly in laws passed in 1987 and 1993 to promote flexibility in working time and other forms of flexibility.

A final example, this time of a trend in the opposite direction, is that of Sweden. There, restrictive legislation has led to agreements that get round its effects. The 1974 law on job security (*Lagen om Anställningsskydd*, LAS) only allows redundancies if they are based on objective criteria, in which case it imposes the *last in-first out* (*LIFO*) rule to decide who gets laid off. It is significant that in two of the four case studies presented (*Tella* and *Förenings sparbanken*) the employers' concern was to avoid collective redundancies which, due

¹⁰ These three are : (i) the *Acuerdo Interconfederal para la Estabilidad del Empleo* (AIEE, the Inter-Confederation Agreement for Employment Stability); (ii) the *Acuerdo Interconfederal sobre Negociación Colectiva* (AINC, the Inter-Confederation Agreement on Collective Bargaining); and (iii) the *Acuerdo sobre Cobertura de Vacíos* (ACV).

to the 'LIFO' rule, would have led to the departure of workers the employers would have preferred to keep, and would also have prevented recruitment on the basis of new qualifications. Because of this, innovative solutions have been found to foster the retraining of workers threatened with unemployment, while ensuring that the desired recruitment can be carried out¹¹.

(ii) The influence of the state in pressing for the negotiation of PECs is also wielded by means of 'active labour market policy' measures. Various types of financial aid packages are created, and companies can only receive them on condition that agreements are signed which the government deems positive for employment and competitiveness.

The most significant example of this is found in France, in the context of the three laws¹² aiming to promote the negotiated reduction of working time, tied in with either the creation or the preservation of jobs. Two mechanisms are designed to maintain competitiveness. Firstly, the content of the agreements may encourage productivity gains through the reorganisation of work and commitments to pay restraint. Secondly, state subsidy, which reduces labour costs, is dependent on the signing of sector-level or company agreements and on the government endorsing the content of such an agreement. The relationship between the law and collective bargaining has been reinforced by another mechanism. When the first 'Aubry Act' (*Loi Aubry*) was brought in, establishing the eventual reduction of the statutory working week to 35 hours, the government announced that a second Act, specifying the ways in which this reduction would be implemented, would take into consideration the content of those agreements which would by then have already set out the process for reducing the working week at sectoral or company level. In the case of France, examples of PECs are thus found almost exclusively within the bounds of these laws, and illustrate a high degree of interaction between statutory and negotiated regulation¹³.

In Spain, the 1997 agreement on employment (AIEE) provided for a new form of permanent contract, with a reduction in redundancy payments. An executive order stipulated that these contracts would benefit from large reductions in employers' social security contributions. This was to facilitate companies' adjustment of staffing levels, and at the same time, to encourage the recruitment of the categories of unemployed least likely to find work. However, this new form of contract can also be used to stabilise temporary contracts; in this case, its use is conditional upon a collective agreement being signed.

In all of these examples, state subsidy is used to encourage agreements deemed likely to preserve or promote employment, and helps to lower company's labour costs.

¹¹ Although welfare systems are not the subject of this report, it must be noted that they too have a direct impact on the content of PECs. When redundancies are made, welfare systems determine the degree to which companies can pass costs on to the collectivity (e.g. early retirement, allowances for unfitness for work, invalidity, etc.). PECs can thus either stipulate the conditions for the use of these measures, or if not, can outline the specific benefits for workers laid off in this restructuring that will be funded by the company.

¹² Known as the 'Robien Act' (1996); the first 'Aubry Act' (1998); and the second 'Aubry Act' (January 2000).

¹³ The Italian government's decision to reduce the working week to 35 hours should be implemented according to the same reasoning.

(iii) In some countries, a third policy instrument for state initiatives on collective bargaining has resulted from the procedure of extending collective agreements, making them applicable to companies within a particular industry which are not members of the employers' organisation that signed the agreement.

In the Netherlands, the government advocated the introduction of gradations of lower salaries into collective agreements. These would lie between the statutory minimum wage and the minimum wages set by collective bargaining, and the objective was to encourage the recruitment of the unemployed with few qualifications, particularly the long-term unemployed. Faced with the resistance of both employers' organisations and unions, the government threatened to amend or abolish the law making compliance with sector-level collective agreements mandatory.

In France, agreements exempt from the legislation on working time, and those for implementing the Robien and Aubry Acts, are invalid if negotiated at sector-level until they are extended by the Minister for Labour. A symbolic example was provided, as part of the first Aubry Act, by the Minister's refusal to extend an important agreement in the metallurgy industry because its content was considered to have stripped the Act of its positive impact on employment.

Without recourse to legal constraints or financial incentives, the influence that governments may wield over the content of collective agreements can be exercised by means of political pressure appealing to the social responsibility of the negotiators. Since 1995, the Danish government has been seeking to involve the actors in industrial relations in its policy with regard to those categories of the labour force that have little chance of finding employment. It has asked for 'social chapters' to be included in national collective agreements, opening up the opportunity of introducing specific clauses (relating to wage levels, working time and so on) into local negotiations, in order to encourage the hiring of these categories of workers.

Thus, in the countries where there is a strong tradition of state intervention in the regulation of the labour market, both the content of PECs and the increase in their number has been dependent on the various means of action open to the state. The situation has been made more complicated by the increased responsibility afforded to other levels of intervention, European and regional authorities.

(b) Action by the EU

For a long time, action by the EU in the area of employment was confined to non-binding consultation and cooperation procedures and specific projects (e.g. as part of Structural Fund programmes). A massive change occurred in the 1990s, as a European strategy for job creation and instruments for action at EU level were steadily implemented (European Commission, 1999; Spineux *et al*, 1998, Ch. 1; Zagelmeyer, 2000, Ch. 2; Goetschy, 1999). The analysis here will be limited to those aspects of EU action liable to have had an effect on the growth of PECs.

Firstly, in a series of steps, the EU built up an approach to the problem and proposals closely linking the objectives of employment and competitiveness. The founding text of this was the

White Paper, *Growth, Competitiveness and Employment* (European Commission, 1993). The implementation of the strategy was outlined step by step, from the Action Plan on Employment produced at the Essen European Council meeting in December 1994; through the section on employment introduced into the Treaty of Amsterdam, and the adoption of the Luxembourg procedure; to the Cologne Summit of June 1999, where the European Employment Pact was signed. Throughout all of these phases, the Commission developed a dialogue with the unions and employers' associations, in a variety of forms, aimed at fostering the design of a new employment policy and the acceptance of more flexible ways of regulating labour markets¹⁴. In as far as these organisations have stuck to this approach, they contribute to aligning their members in favour of innovative negotiations on employment (see, for example, the ETUC/UNICE/CEEP Joint Statement of 29 November 1996 concerning the EC initiative, *Action for employment in Europe – a confidence pact initiative*). The most important means of influence wielded by the EU authorities is thus their involvement in the creation of a shared diagnosis of the relationship between employment and competitiveness, and the establishment of joint objectives in this regard¹⁵.

Secondly, the EU has promoted negotiated solutions in this area. The texts it has produced and commissioned stress the necessary involvement of employers and unions in the management of employment issues. Thus the high-level experts' group report, *Managing Change*, emphasises that 'employers and unions are in the best position to find practical solutions through agreement in a form appropriate to their cultures' (European Commission, 1998, p. 5). The Green Paper, *Partnership for a New Organisation of Work* (European Commission, 1997), whose stated subject was 'opportunities for the improvement of employment levels and competitiveness through more effective organisation of work in the workplace' (*op. cit.*, p. 5), was thus based on the principle of partnership between state authorities and social partners, although it made no direct reference to negotiation.

Thirdly, collective bargaining has not only been encouraged but also granted legal support derived from the Treaties of Maastricht and Amsterdam, which set out its field of responsibility and operating mechanisms on a Europe-wide level. It is significant that two out of the first three cross-sectoral agreements signed dealt with issues directly linked to the relationship between employment and competitiveness (part-time working and fixed-term contracts). The same can be

¹⁴ As part of the broad economic guidelines stemming from the macroeconomic monitoring procedure, employers and unions have put forward shared opinions on several occasions, particularly regarding the job-creation elements of macroeconomic policy. In the Luxembourg procedure, employers and unions are directly involved in design, monitoring and assessment, both at EC and national levels, the former through EU Guidelines and the latter through national action plans. Under the European Employment Pact (which emerged from the Cologne Summit), employers and unions participate in the dialogue on macroeconomics, which must bring consistency to the various fields of economic policy that play a part in determining the changes in employment levels.

¹⁵ The same dynamic can be observed at the level of the Member States (Spineux *et al.*, 2000, pp. 26-29). The preparation of the national action plans (NAP) has in certain countries been the occasion for the social partners to express and to formulate common opinions concerning the content of the action plans as well as their underlying assumptions. In other cases, bipartite or tripartite agreements on employment have contributed either to the definition of the content of the action plans or to the implementation of their concrete measures. As underlined by the authors (*op. cit.*, pp. 48-50), it is difficult to evaluate the impact of European ideas on the content of collective agreements or on the common positions of the social partners. What can be identified, however, is the broad range of common topics and goals treated and stated by the social partners. The main criticism of the social partners refers to the procedure of concertation, the inaccuracy of their objectives and the insufficient resources attributed to them.

said for the first sector-level negotiations, on the reduction of working time in the agricultural sector and the overhaul of working time in rail and maritime transport. These European agreements have created frames of reference that are potentially favourable to the negotiation of PECs at decentralised levels.

Apart from creating a context favourable for the negotiation of PECs, the Commission has carried out more direct action by approving the mechanism of *territorial and local employment pacts* at the Florence summit in 1996. These pacts revolve around the principle of partnership, with unions and employers' associations involved in them (Spineux *et al.*, 1998 and 2000). This is another example of the use of public funding to foster local agreements with a positive impact on job creation.

(c) Regional and local initiatives

In several countries the regional authorities have taken initiatives to conclude agreements, pacts or alliances for employment by making an effort to involve the various actors in their region, particularly the unions and employers' associations. Sometimes they have based these initiatives on the EC's territorial and local employment pacts, but more often they have acted independently.

In Germany, the majority of *Länder* have adopted plans of this type, generally in tripartite form. One specific case is that of the 'Joint initiative for more jobs in eastern Germany' (*Gemeinsame Initiative für mehr Arbeitsplätze in Ostdeutschland*) which has involved the political, economic and social actors on a national scale. Disagreements between the DGB federations and disappointing initial results provoked a union withdrawal from the plan before the agreement was a year old. The national report labels the quality of the pacts and alliances for employment adopted at *Länder* level as erratic. Several ended up in obvious failure (with the withdrawal of one or several of the partners) or implicit failure (where the agreement has been put on hold). However, the experiment has proven that establishing a consensus on the objectives of the fight against unemployment, the recruitment of young people, vocational training and regional development is indeed possible.

In Italy, two measures have been implemented.

- Regional and local pacts (*patti territoriali*), set up under a 1995 decree-law organised a partnership around the goals of job creation and local development. Between 1995 and 1998, 109 pacts were concluded, covering a total of about 20 million people, mainly in the south of the country.
- The 1996 Pact for Employment, reformulated as a piece of legislation, brought in 'area contracts' (*contratti d'area*) for crisis-hit regions, with the involvement of state departments as well as local actors. Differences between the Pact and the law, however, have reduced the degree of autonomy enjoyed by employers and unions concerning the possibility of setting the level of wages below the collectively agreed minimum, 'to kick-start new businesses and maximise their impact on employment'.

In Spain, a proliferation of *pactos por el empleo* has been recorded, both at regional and local levels, especially after the impetus provided by the *pactos de Abril 1997* referred to above. The

efficiency of these pacts, adopted on a tripartite basis, depends greatly on the degree of independence and the resources available to the signatory regional authorities. According to the national report, the majority have remained theoretical rather than practical.

All in all, the rapid rise in the number of PECs, bipartite company or sector-level agreements has been greatly dependent on the interaction that has grown up at EU, national, regional and local levels, between the various forms of state, tripartite and bipartite regulation and intervention in the labour market.

Ways in which sector-level and company-level collective bargaining link up

This report deals principally with company PECs, but also looks at how they relate to sector-level PECs, which may encourage the former but restrict or check their content. We shall illustrate these mechanisms from extreme cases: interaction that is either very weak or non-existent, or that is codified and strong.

(a) Weak or non-existent relationship

In the UK, PECs appear to be the exclusive domain of company negotiation, to the extent that sector-level and multi-employer negotiation is almost a thing of the past, except in the public sector. Here we find a situation in which company PECs are independent, their conclusion being solely a result of the microeconomic interests of management and employees.

In France, in accordance with the law there is a hierarchical relationship between sector-level and company agreements, according to which the latter can only improve the content of the former. In practice links between the two are weak.

- Firstly, sector-level agreements most frequently confine themselves to laying down general guidelines and minimal guarantees, so that everything then depends on the content of company agreements; and
- secondly, it is always possible, except in rare exceptional cases, to reach a company agreement even if there is no sector-level agreement.

Sector-level agreements *per se* are directly implemented only in the rare cases when a sector-level agreement extended by the Minister for Labour contains sufficiently detailed provisions to make it explicitly applicable in small businesses where there is no existing agreement at this level. Several sector-level agreements signed under the terms of the first Aubry Act on the reduction of working time have provided for provisions of this nature¹⁶.

(b) Strong and codified links

Links between levels of negotiation can result from an explicit division of jurisdiction between them, or from a principle of the binding nature of sector-level agreements, with possibilities of

¹⁶ It should be pointed out that in all the countries, regardless of the way in which sectoral and company negotiations relate to one another, there are problems linking company agreements in companies with several sites to agreements reached within each workplace. The national reports analyse cases of PECs signed in large corporations whose implementation is conditional on the signing of workplace agreements setting out the practical ways in which the provisions of the company agreement is to be applied.

exemption in the context of company agreements. Italy and Germany afford typical examples of these two situations. In other countries, like the Netherlands, the link is more complicated.

In Italy, the July 1993 tripartite agreement (*Protocollo sulla politica dei redditi e dell'occupazione*), confirmed by the tripartite agreement of December 1998 (*Patto sociale per lo sviluppo e l'occupazione*), has set up a dual-level negotiation mechanism. In practice, it is triple-level, as cross-sectoral agreements lay down an overall framework in which sector-level negotiations take place.

As regards sector-level agreements, the relationship between employment and competitiveness mainly affects wage-setting. Wage rises are decided on the basis of national indicators established after concerted tripartite cross-sectoral consultation; as they are in line with the rate of inflation, they guarantee competitiveness. Sector-level agreements also provide for prior concerted consultation procedures in the case of restructuring, and sometimes, for special provisions to ensure competitiveness within certain industries or geographical areas.

In this context, company negotiation (or local negotiation) is responsible for setting out wage levels and employment conditions. In terms of wages, the work particularly involves finding ways to bind these to company performance indicators. On employment, the clauses negotiated deal with the conditions for using various forms, and for introducing flexibility into working time. The principle is therefore one of an explicit division of responsibilities between the two levels of negotiation.

In Germany, collective bargaining takes place at sectoral level¹⁷. Competitiveness and employment are linked mainly by wage-setting procedures and trade-off agreements on the reduction of working time and increased flexibility. The new element in this has resulted from the large-scale use of 'opening clauses' in sector-level agreements after the experience of the recession of 1992-1993. These clauses explicitly open the possibility of exemption from the provisions they contain if there is a company agreement signed either by the unions or by the works councils (*Betriebsräte*). In exchange for commitments given on employment and sometimes on investment, staff representatives agree to concessions on labour costs or working time, in particular reductions in working hours, with a wider range of time worked, and wage cuts (see Chapter 3).

It is thus the mechanism of opening clauses that must ensure consistency between the two levels.

In the Netherlands, the 1993 bipartite cross-sectoral agreement, 'A new course', (*Een Nieuwe Koers*), makes a direct link between the objective of employment and competitiveness, and the decentralisation of collective bargaining at company and workplace levels. This 'new course' agreement set the recommended themes for negotiators, which were renewed in the 'Agenda

¹⁷ Formally, agreements are usually signed in each region, but the coordinating function performed by the trade unions and employers' associations means that within each industry there is a high degree of homogeneity at national level.

2002' agreement reached in 1997. However, it did not divide up responsibilities between the various levels of negotiation. The main problem is maintaining consistency between them. According to the national report, the solution is the high degree of internal coordination within each of these organisations. Large-scale sector-level and company agreements play the dominant role in all types of collective bargaining. Moreover, their negotiators have generally been part of national framework agreements. They thus endorse their general objectives and fields of application, whatever the level at which decentralised agreements are then signed.

The linking of one level of negotiation to another is accomplished by the internal coordination of the protagonists in industrial relations.

Summary and conclusions

In western Europe, the increase in the number of PECs is connected to the trend towards decentralising collective bargaining. Overall, the vast majority of PECs are negotiated at company and workplace level. However, it would be wrong to draw the conclusion from this that they are only the fruit of microeconomic arguments. The economic, social and legal contexts have exerted an influence over the increase and content of PECs in three principal ways.

Firstly, changes in employment levels have been marked by the combination of a strong recession and the implementation of policies geared towards economic stability, in order to satisfy convergence criteria for the single currency, as outlined in the Treaty of Maastricht. PECs are principally strategies for adjusting to industrial restructuring and fluctuations in economic output in a context of intensifying international competition and slow growth rates.

Secondly, however, the extent to which PECs have been deployed differs depending on the national actors' assessment of the efficiency of the various tools for influencing the relationship between employment and competitiveness. They may favour the use of market mechanisms (as in the 'British' model), the construction of explicit or implicit general compromises (as in the 'Nordic' model) or dealing simultaneously with this issue at all levels combined with a permanent review of the respective responsibilities of the various actors (as in the 'Latin' model). According to the respective weight attributed to general macroeconomic policy, collective bargaining and market forces, the fields into which PECs can be extended have turned out to be highly variable.

Thirdly, the growth in the number and content of PECs at company level is the result of the way in which the various 'standard-setting' sources are connected. This growth depends on the relative importance of state-imposed and negotiated norms, and the incentives and margins for manoeuvre they contain for sector-level and company-level negotiations, particularly in terms of provisions exempt from legislation. PECs can replace methods of national regulation where they are regarded as increasingly ineffective. They can also be the tool for implementing the decentralisation of policies arrived at by concerted consultation and negotiation at national and even EU level.



There is therefore neither economic determinism nor one single method responsible for the increase in the number of PECs; rather do we find responses specific to each country to shared economic restraints. These make up one strand of the overall change in the mechanisms for state regulation and collective bargaining.




Chapter 5



Assessments of agreements

The innovative nature of PECs should logically have resulted in a special effort to assess their impact. However, so far this has not been satisfactorily accomplished. There has been almost no technical assessment anywhere, and qualitative evaluations carried out by those involved in industrial relations have to a great extent been lacking in detail.

Technical assessments

(a) The reports by national experts have confirmed the findings of Stefan Zagelmeyer¹⁸, i.e. that technical evaluations of the impact of negotiations on employment (especially PECs) are virtually non-existent, and where they have been carried out, they have not been made public¹⁹. There are several possible reasons for this.

- The lack of a recognised definition of PECs works against establishing precisely the number of agreements to be assessed and against comparing the companies and industries covered by PECs with those which are not.
- PECs are usually recent. The hindsight needed to measure the long-term differential impact they may have exerted on levels of competitiveness and employment, or on other aspects of the performance of a company and working conditions, is lacking.
- PECs are signed in a variety of economic and social contexts. It is difficult to clearly distinguish their specific effect from among the web of interdependent factors which determine how a company or industry may fare. The validity of this argument must not be overestimated, as such problems are posed by any assessment of a particular measure. The

¹⁸ *Op. cit.*, p.11.

¹⁹ This is in contrast to the social pacts and national cross-sectoral agreements for which assessments have been carried out in certain countries, e.g. Finland, Ireland, Italy, and the Netherlands. Similarly in Germany, assessments have been made (of agreements in the chemical industry, for example) at the instigation of unions and employers' associations.

methodology used in an assessment provides complementary techniques to test hypotheses as regards attributing a distinct outcome to a given measure.

However relevant these explanations may be, the available data (except for the compilation of statistics on the number of agreements and the analysis of their content) is made up of no more than case studies (see Sisson, Martín Artiles, 2000). These are useful for understanding local dynamics; the actors' motivations and strategies deployed; and the conditions for reaching a compromise. Additionally, they can provide information on the overall effect regarding the preservation or creation of jobs, but they do not allow a specific outcome to be isolated. Above all, they give no information on the impact generated for the economy as a whole. Are these zero-sum games, where the positive microeconomic impact on employment is obtained only at the expense of employment in competing companies, due to the gains achieved in competitiveness? Or are they instead positive-sum games, in which new forms of management of staffing levels lead to an increase in activity, with a knock-on effect on the rest of the economy²⁰?

(b) The only notable exception to this picture of assessment deficiency is in France, and it is important to make the reasons clear.

In France, the Robien Act (1996) and the first Aubry Act (1998) instituted state funding for sector-level and company agreements that entailed a large-scale reduction in working time (at least 10%), on condition that the commitment to creating or preserving jobs (at least 10% in the Robien Act, and at least 6% in the Aubry Act) was quantified on paper.

In both cases, assessment measures were set up by the Ministry of Labour, and specialised parliamentary committees also carried out evaluations (see box below). The importance attributed to technical assessment work in the French case is probably linked to the implementation of the two laws mentioned above. They gave rise to fierce controversies between the political parties, both when they were voted on and when they were implemented, and were very harshly criticised by employers' organisations and certain unions. It was therefore essential for the governments concerned²¹ to show the effectiveness of state intervention in order to foster negotiation, and the proof could only be accepted if it were based on technical research whose methods and results were made public²². Thus, it was the context of controversy out of which these particular forms of PEC grew that appears to have necessitated a public technical assessment procedure.

²⁰ See Sisson *et al.* (1999, pp.16-18).

²¹ The Robien Act was passed by a government politically to the right; the Aubry Act by a left-wing one.

²² Some of the assessment work was carried out by bodies independent of the government.

Assessment of agreements on the reduction of working time in France

A wide array of devices for statistical monitoring and evaluation of the agreements on the reduction of working time was set up for the Robien Act and bolstered for the first Aubry Act (*Aubry I*). A recent official report by the *Ministère de l'Emploi et de la Solidarité*, in 1999, provides a synthesis of the research carried out so far. Five different methods have been used in the collection of this data.

- 1) Studying the content of the agreements has enabled their immediate impact to be measured. For example, as of 1 September 1999, 15,026 company agreements had been signed under the provisions of Aubry I. These covered 2.2 million employees, and provided for the creation or preservation of 120,000 jobs. The average reduction of the working week was 4.2 hours in the case of agreements subsidised by the state (covering 1.1 million employees); and 2 hours in the case of unsubsidised agreements (which also covered 1.1 million employees).
- 2) A statistical analysis of actual changes in employment and the length of working time in companies that had signed state-subsidised agreements has allowed comparisons to be drawn between them and a sample of companies with similar economic profiles in which no agreement was signed. The differential net impact on employment was assessed at +7.5% in the case of a Robien agreement. At the moment, the Aubry agreements are too recent to have allowed anything more than an approximate evaluation to be made, assessed at 6-7 %.
- 3) Typologies of companies signing up to agreements have been created, in order to link the explanatory factors behind the signing (state of the economy, type of productive organisation, union presence, etc.) and the content of the agreements (methods for reducing working time, degree of wage restraint, etc.).
- 4) When *Aubry I* was under discussion, a variety of macroeconomic simulations were carried out to measure all the possible consequences of reducing the working week to 35 hours. The results of these simulations are particularly useful in showing the degrees of variance in the different factors examined in the theoretical scenarios: the speed at which the reduction in the working week is implemented; its impact on work productivity (the intensification of work patterns and/or reorganisation of production); and its impact on pay (the degree of immediate compensation and commitments to later wage restraint). According to the theoretical scenarios adopted, the simulations provide contrasting results: in the best-case scenario there is a 2-3% reduction in the rate of unemployment over a five-year period, while in the worst case, the net impact on employment could be negative.
- 5) Opinion polls have measured employers' and employees' perceptions of the results of an agreement in their company. When questioned in June 1999, 78% of employees preferred the new situation to the old one. Among employers who had signed an agreement, 84% said they were generally satisfied with it (32% were 'very satisfied' and 52% 'quite satisfied'). It should be stressed that these polls only involved the staffs of companies in which an agreement had already been signed; they also deal with the factors which, in the opinion of the respondents, had justified the signing of the agreement. Moreover, polls were carried out on employers who had *not* signed an agreement, regarding the factors behind their decision to open or not to open negotiations in the future.

Unlike France, in the majority of the countries PECs have been the natural consequence of a search for decentralised consensus between the actors involved in industrial relations. For these countries, PECs have represented a leap in the dark, both for employers and unions. The negotiators have often been criticised by their own camp for the compromises they have agreed to. Except in the relatively rare cases in which the results were obviously beneficial for everyone,

the actors concerned probably had no interest in having technical assessment work carried out, let alone made public, when it may well have demonstrated that the agreements involved ‘winners’ and ‘losers’. Such results would have placed certain negotiators in difficulty, and would have disrupted the accomplishment of the process. On the other hand, a non-technical qualitative assessment carried out by the protagonists themselves could have comprised a more flexible instrument for legitimisation (or amendment) of their strategies²³.

Assessments by the actors in industrial relations

The information available in the national reports is fragmentary and heterogeneous, and only tentative hypotheses can be constructed from it.

In those countries where the increase in PECs has been stimulated and institutionalised in the form of bipartite and tripartite national agreements, employers and unions have arrived at judgements that overall are positive. As mentioned in the report on Ireland, there is, first and foremost, a ‘shared belief’ that these agreements are beneficial, and the articulation of a willingness to continue the experience. As for the assessment of their direct and immediate effects, the feedback from unions is sometimes less sanguine, as in Finland and Spain, for example.

In the countries where PECs have been facilitated by the possibility of exempt agreements provided for by legislation, or opening clauses introduced in national agreements, feedback from nationwide organisations seems mixed. Employers’ associations have welcomed a change which has reduced the rigidity created by uniform national standards, and have favoured decentralised agreements appropriate to the particular needs of companies (‘tailor-made’ agreements). Unions have expressed their fears about the very things employers find positive: namely, that company agreements may jeopardise the results obtained by sector-level negotiations, and may lead to the adoption of negotiating practices that consist of offering a series of progressively greater concessions in the name of safeguarding jobs. The unions are aware that they agree to immediate and certain concessions as a trade-off against commitments on staffing levels that are potential, provisional and sometimes merely verbal. The seriousness of the threat to jobs is most often a limiting factor, as a PEC is then aimed more at enabling the company to survive an exceptional phase than at instituting qualitative and long-lasting change in industrial relations. The verdict on PECs is also a direct result of the general changes in the country’s employment situation. In countries like Ireland and the Netherlands, where a large number of jobs have been created, it would be logical to assume that ‘social pacts’ and PECs have contributed to this performance²⁴. In a country like France, where state intervention in favour of PECs has been a determining factor, the employers’ and unions’ perception of their impact is tightly linked to the stances they have adopted vis-à-vis government policy.

²³ It must be added that in some countries, company PECs have provoked a degree of apprehension at national level on the part of the unions and sometimes employers’ organisations. Employers and unions then have an interest at local level in managing the implementation of these agreements with discretion.

²⁴ The same could be said of Spain over the last few years.



More generally, it can be assumed that when PECs are renewed there is an implicit endorsement of their effectiveness by the signatory parties. When they are not renewed, however, there are two possible interpretations: either one (or both) of the parties has an unfavourable opinion of the results, or the pact was a temporary measure for dealing with a period of recession, and renewal is deemed unnecessary.

Logically enough, the nature of the assessment made by employers and unions, when expressed publicly, reflects their strategy on the issue of changes in collective bargaining, and more broadly, that relating to industrial relations.

Summary and conclusions

Considering the innovative nature of PECs, it is paradoxical that very few technical assessments of their effects have either been carried out or made public. The most plausible explanation seems to be that PECs have mainly been the fruit of the search for decentralised compromises, involving, in some way or other, difficult concessions. Often criticised from within their own circles, the negotiators have preferred qualitative assessments which they carry out themselves, and which both legitimise and correct their strategies. They do not usually want to entrust independent specialists with the role of assessor, since this might highlight that there are ‘winners’ and ‘losers’ in these agreements. Exceptions arise when PECs occur in a strife-torn context which makes the use of outside experts necessary. The prudence of the social partners experiencing the new forms of collective bargaining for the first time was mainly due to the difficult social and economic context and was therefore quite understandable. It has to be said, however, that conclusions about the experience of new forms of collective bargaining can only be drawn, and their broader diffusion justified, if there is a significant improvement in the evaluation of PECs. If this does not happen, positive as well as negative comments will always remain subjective, without providing the necessary elements to formulate a well-founded judgement.



Chapter 6

The impact of PECs on industrial relations

PECs are merely the most innovative element of a broader trend which first appeared in the 1980s: the extension of the range of topics dealt with by collective bargaining to include quantitative and qualitative employment problems. They are currently too limited in scope to exert a significant impact on the general features of collective bargaining. However, they may represent (so far, in a limited way) a potentially influential vehicle for long-term transformation of patterns of industrial relations. A contrasting interpretation would be that PECs are nothing more than specific, transitory ways of negotiating a phase of intense restructuring generated by the combination of recession and preparation for entry into Economic and Monetary Union.

With reference to these two opposing interpretations, we shall now look at the particular slot occupied by PECs in overall trends in collective bargaining over the recent period. In order to clarify this presentation, five separate issues have been picked out, although in reality they are closely interrelated. They are: the nature, content and independence of collective bargaining, the levels at which it takes place, and the protagonists involved²⁵.

The nature of collective bargaining

The 'concept paper'²⁶ studied the changing nature of collective bargaining over the course of the 1980s, but emphasised the risks of misleading simplification. In the period of strong economic growth, negotiation tackled mainly wages and working conditions, creating compromise in the conflict of interests over methods for sharing productivity gains. In the early 1980s, concession

²⁵ On these five points, apart from the national reports and the research referred to by Spineux and Zagelmeyer, see: Supiot, A., 1999; also Gold, M. and Weiss, M., 1999.

²⁶ Sisson *et al.*, 'A changing role for collective bargaining?', 1999, pp. 13-20.

bargaining developed in the USA. In a situation where job cuts and closure loomed; in a context where sometimes openly anti-union strategies were being implemented by management, the latter demanded concessions in exchange for commitments on staffing levels which were often non-binding. In western Europe, the change seems to have been different, as the relationship between employment and competitiveness created common interests – and thus the opportunity for negotiating trade-offs – for both sides, in what was known as *quid pro quo* bargaining. This cooperative and inclusive reasoning involved a search for compromise with representatives of the workforce, which could lead to the more ambitious prospect of involving the unions in the design and implementation of company employment policies, in the form of ‘partnership agreements’.

As indicated in Sisson *et al.* (1999), such an interpretation is extremely simplistic. In a period of strong economic growth, collective bargaining is never restricted purely to the distribution of productivity gains. On the one hand (monopoly situations apart) the bargaining partners obviously take into account the fact of national and international competition. On the other hand, the agreements often include compromises concerning the creation of productivity gains, for example by defining conditions for the introduction of new techniques or modes of occupational mobility within internal labour markets.

Conversely, concession bargaining in North America during the 1980s did not simply impose unilateral concessions on the trade unions. It also led to the introduction of new types of clauses, which were at the origin of those included in PECs: the obligation to safeguard employment for the duration of the agreement, not to close down the firm, to invest in modernising it and so on.

Thus, elements of continuity can be observed in the mode of collective bargaining; the only really new element is the greater importance and emphasis placed on the reciprocal commitment to safeguarding employment and improving competitiveness.

The national reports show that PECs can be reached in a wide spectrum of situations, ranging from concession bargaining to partnership agreements. The nature of PECs is first and foremost a function of the economic and employment situations at company and sectoral level, and is thus a direct result of the manoeuvring space and power relations stemming from them. It is also shaped by the strategies of employers and unions. On both sides, a cooperative or integrative approach evokes both support and hostility. The history of industrial relations has seen the establishment of local cultures that change only slowly, and the learning process is essential for creating trusting relationships as regards the credibility and reliability of commitments made on both sides. There has not yet been enough hindsight to allow conclusions to be reached on whether the changes witnessed will be long-lasting, and today, the dominant characteristic of PECs is their heterogeneity.

The content of collective bargaining

Distributive negotiation has followed a simple principle, dealing with the acquisition by workers of rights and new guarantees. The negotiation of trade-offs as part of PECs involves reciprocal



concessions in various areas, such as wages and social security benefits, the total number and status of jobs, the organisation of work and working time, mobility and vocational training, and the conditions for incorporating or reincorporating into the workforce categories of worker who would otherwise stand little chance of being employed. Sometimes this type of bargaining includes commitments on the location of jobs or future investments. Thus, these are multidimensional negotiations raising issues both of consistency between the provisions agreed on in the various areas, and of balance between reciprocal concessions. For these reasons, their implementation is conceivable only in the medium term. It involves joint monitoring and assessment measures carried out by the signatories.

In this area, however diverse they may be, PECs provide typical illustrations of a trend towards changing multidimensional medium-term negotiations with a strong element of path dependency, in stark contrast to the ratchet effect of distributive negotiations.

The independence of collective bargaining

In the West, history has fashioned a fixed division of jurisdictions between the state on one side and employers and unions on the other, according to vernacular forms of logic (*voluntarism* in the English-speaking countries; *Tarifautonomie* in Germany, and so on). Recent developments have challenged not only the pre-existing boundaries between these two fields of jurisdiction, but also the way in which they feed into one another. The main reasons have been the political will to prioritise the deregulation of labour markets, and the introduction of flexibility in the way they function. Regarding labour law, as Alain Supiot has demonstrated²⁷, legislation has become ‘substitutional’ – when it only applies in the absence of collective agreements – or ‘referable’, when its implementation requires a collective agreement. It can also allow collective agreements which are exempt from its provisions. Lastly, mechanisms of ‘negotiated law’ have also sprung up, in which the law is based explicitly on the terms of a cross-sectoral agreement, which it then confers with general statutory applicability²⁸.

These trends are doubly significant. Firstly, they reflect a reduction in the autonomy and imperative nature of the law in favour of collective bargaining. Secondly, they provide the authorities with a tool for the promotion of collective bargaining, and influence the direction of themes and content. This latter factor is strengthened when active labour market policy and the state funding it offers are made conditional on collective agreements whose content complies with the demands laid down by government.

PECs are a major example of this trend. In European countries, policies on employment and competitiveness have become the joint responsibility of the authorities, the employers and the unions at every level (EU, Member State, regional or local). Company and sector-level PECs are

²⁷ *Op. cit.*, pp.142-144.

²⁸ Or a Directive, if we are dealing with the European Union.

dependent on the nature of state policies as well as on the agreements, either tripartite or bipartite, reached at higher levels. At the same time, they provide examples of good practice which may result in amendments being made to the general standards.

Collective bargaining is therefore experiencing a simultaneous increase in the extent of its independence and interaction with state intervention.

The levels at which collective bargaining takes place

The vast majority of PECs are reached at company and workplace level. In this regard, they are swimming with the tide of the overall trend towards the decentralisation of collective bargaining that has been observed in western Europe since 1980. Sometimes they have benefited from the decline of sector-level negotiation (as in the UK), and sometimes they have been made possible by the widening of the field of responsibility bestowed upon company negotiation (as in France, Italy and the Netherlands, for example). In other countries, they have been based on the introduction of ‘opening clauses’, ‘delegation clauses’ or ‘hardship clauses’ into national collective agreements (as in Austria, Germany, Ireland and Scandinavia).

At the same time, in most countries a resurgence of cross-sectoral negotiation (included in or excluded from tripartite social pacts) has been observed. This type of negotiation attributes pivotal importance to the relationship between employment and competitiveness, and is both an incentive and an instrument for framing the increase in the number and scope of PECs. Thus, several national reports use the terms ‘centralised decentralisation’, ‘organised decentralisation’ and ‘controlled decentralisation’ to refer to this complex development. As the margins for innovation left for PECs are broadened by the trend toward decentralisation, the degree to which they are extended stems, to a corresponding degree, from the impetus given by higher levels of negotiation.

Thus, the results of our research concur with those of the expert group coordinated by Armand Spineux (Spineux *et al.*, 2000, pp. 31-41). In most European countries, one can observe the general tendency towards a more complex coordination of the different levels of collective bargaining. The authors define this kind of coordination as ‘arrangements which are made between several social partners in the course of their interaction, defining a frame of reference and common criteria for a whole set of collective relationships at all kinds of different bargaining levels’ (*op. cit.*, p. 32, translation by the author). It is within this framework one must see the ongoing process of decentralisation, of which PECs represent one particular example.

The actors in collective bargaining

Due to their decentralised and innovative nature, PECs have provided the chance to introduce new forms of employee representation and broaden their area of responsibility. In some countries, works councils have the right to negotiate PECs, e.g. in the Netherlands and Germany (within the framework of opening clauses). In Italy, the *Rappresentanze sindacali unitarie*, elected within the company, can negotiate company agreements. In France, in certain



circumstances, agreements on the reduction of working time can be negotiated in small firms by an employee mandated by a union, if there is no union delegate in the company; this new procedure could have the potential to generate a qualitative change in the nature of collective bargaining. In some countries, e.g. France, Italy and Spain, non-confederal unions or independent craft unions have played an active part, which may be positive or hostile, in the negotiation of PECs.

These developments may pose a threat to national unions, by usurping their position as the employer's obligatory negotiating partner, and allowing employers to negotiate with people who have less experience, are less sensitive to the immediate threat to jobs, and are thus more likely to agree to concessions. In practice, works councils usually have a union majority and need the support of the unions in order to be fully briefed on what is involved in complex negotiations. Often, this leads to a strengthening of the ties between elected staff representatives and unions, or gives the unions an opportunity to gain a foothold in the company, thanks to the support they give to staff representatives.

The developments observed in the recasting of roles in decentralised collective bargaining have created both a risk and an opportunity for unions. Considering the complexity of PECs and the results they produce outside the particular workplace in which they are negotiated, the presence of unions in the negotiating process, whether direct or indirect, is firstly the source of the technical expertise required by the negotiations, and can also help in ensuring that the general interest of employees be given full consideration. If the unions are not involved, there is a danger of either purely formal negotiations, aiming to legitimise the policy of company management, or 'insider arrangements', reflecting insular concerns rather than a willingness to contribute towards improving the employment situation²⁹.

Summary and conclusions

The sample size of PECs is currently too small for their impact on industrial relations systems to be measured. However, the innovations they have introduced may exert an influence on these systems' patterns of development.

- The content of PECs is diverse. They can be anything from a disguised version of concession bargaining in a recession, at one end of the spectrum, or feed into the new logic of partnership agreements at the other.
- PECs provide a typical illustration of new forms of multidimensional medium-term negotiations, based on stable compromises which leave the door open to later adjustments.
- PECs provide an example of the ambiguous transformation of the relationship between state regulation and collective bargaining. They may illustrate the retreat of the former in favour of the latter in a context of deregulation, or they may be instruments of a pro-active employment policy under the joint responsibility of the state, the employers and the unions.
- In some countries, PECs make up one strand in the overall trend towards the decentralisation of collective bargaining. In the majority, they can be situated in the context of a more

²⁹ Of course, insider arrangements can also occur *with* the unions.

complex trend towards 'controlled decentralisation' based on centrally-negotiated bipartite and tripartite agreements.

- PECs have promoted the involvement of new actors on the stage of company negotiations – principally works councils. For the unions, they may represent the threat of eviction from their place at the negotiating table, as well as an opportunity to gain a foothold in non-unionised firms.

Not enough time has passed to allow the long-term effects of the expansion in the number and content of PECs to be predicted. Although there are still too few PECs to exert a quantitatively significant influence over the characteristics of collective bargaining and the way in which industrial relations operate, they lie at the very heart of the changes under way in the latter over the past two decades. Their qualitative impact, therefore, is not negligible. They are a laboratory for new forms of negotiation and employment regulation. They provide a wide range of experiences, from barely toned-down forms of concession bargaining to embryonic partnership agreements.



Chapter 7

Policy implications

The question of the (potential) consequences of PECs for policy can be approached from three main angles. Firstly, there is the impact they may have on national employment policy. Secondly, there is also a need to discuss how national policy can bolster and promote PECs. What demands are made on national policymaking when it comes to initiating, organising and boosting the effectiveness of PECs? Thirdly, the impact of PECs on the system of collective bargaining policy and workforce representation needs to be discussed.

It is difficult to come up with general answers to these questions, because not only do the institutional conditions for taking action differ from country to country, but the political concepts followed also reflect diverging trends. For example, whereas there has so far been no question of using reductions in working time as an employment policy instrument in Sweden, the French government is pinning substantial hopes on precisely this approach. On the other hand, PECs in Sweden – as in other Scandinavian countries – are geared towards rises in productivity and active structural change, backed up by an energetic promotion of continuing vocational training. The idea is that this strategy should indirectly smooth the way for more jobs. And whereas vocational training may play at best a marginal role in PECs in France and other countries, this observation is, by itself, insufficient evidence of an inadequate productivity-oriented employment policy, for it might quite simply have to do with the fact that the countries in question already have a well-developed continuing vocational training system outside the scope of PECs. Consequently, while PECs remain isolated and are not viewed as an intrinsic part of overall employment policy activities, it is hard to judge which of the strategies that have been implemented will prove to be the most effective in the long run, and which might fulfil an exemplary function in the various existing institutional, conceptual and legal framework conditions.

The wide quantitative dispersal of PECs between the countries in question here does not permit any binding conclusions as to their effectiveness, and cannot be deemed an indicator of the success of an employment policy. In other words, country-specific institutional situations and varying conceptual outlooks mean that not all employment policies implemented by governments or social partners regard the need to conclude PECs with the same degree of urgency. The more successful active government employment policy is overall, the less a need is felt to conclude PECs as well.

Finally, solid data on the effect of PECs on employment policy is a prerequisite for any discussion about their impact on policy. But no such data has yet been collected. A few partial analyses have been carried out, but they can only provide limited information, because cyclical effects have not been taken into account. In view of our still limited overall knowledge about the impact of PECs on employment, any assessments of the situation must be limited to weighing up, on a theoretical basis, which conceptual approaches taken in PECs are worth taking up, and which are merely flashes in the pan. There is no alternative but to clarify these aspects if anything more than merely tentative policy recommendations are to be made.

In the end, setting aside these problems, which are virtually inevitable when dealing with an aspect of employment policy that is not yet firmly established, the only path open is to draw a few initial conclusions by following a quasi-heuristic approach. At the same time, of course, these conclusions will go hand in hand with implicit references to the need for further research.

In principle, we can distinguish two employment policy functions served by PECs with respect to the question asked above about their impact on national employment policy activities. On the one hand, PECs can complement governments' employment policy; on the other, they can replace it. The available country reports do not allow us to conclude whether the dominant trend is towards complementing or substituting for national employment policy. Instead, the large number of individual measures hint at their serving both functions. So, leaving aside the empirically undetermined situation, there is good reason to assume that the growing number of PECs has also shifted the balance in employment policy towards the parties to collective bargaining and company agreements, and that in so doing they have opened up the prospect of national policy increasingly withdrawing from the domain of political processes and activities and focusing primarily on functions concerned with regulatory policy.

There are at least two arguments backing up the suggestion that the advent of PECs has facilitated a shift in the function of government employment policy. Firstly, both the Maastricht Treaty and the Amsterdam Treaty limited the financial leeway for extensive state-run employment programmes. Secondly, the concepts dominating employment policy today, which are mainly geared towards the neo-classical politico-economic model, require a higher degree of responsibility in collective bargaining and corporate policy when solving stubbornly persistent employment problems that can be blamed more on structural causes than on economic factors. The fact that labour costs are considered to constitute the key variable for economic growth and employment means that wage policy is of pivotal importance in an employment policy context.

Seen in this light, government policy is of rather secondary importance, and it is the parties to collective bargaining and company-internal negotiations who are in the front line where the solution of employment policy problems is concerned. In terms of neo-classical arguments, government policy should serve to place the corresponding institutional framework at the disposal of the parties involved in such collective bargaining or company-level negotiations.

As the country reports suggest, this shift is not a uniform process that affects all countries to the same extent. Whereas in France, the state can be regarded as the driving force in employment policy, where Germany is concerned the observable trend indicates a shift in the emphasis of employment policy towards the parties to collective bargaining and company-level negotiations. In some cases this shift in emphasis is only partial, merely affecting specific areas of policy. For example, the legislation in the Netherlands and Austria has opened up fresh possibilities for a more flexible organisation of working time.

One example of PECs standing in for government labour market and employment policy concerns reductions in working time over a set period agreed either collectively or at company level in Germany, with a view to safeguarding jobs which are under threat. These reductions in working time are functionally equivalent to publicly promoted short-time allowances, and ease the burden on labour market policy. The money saved in this way can be used either for other activities or to reduce overall spending. At the same time the costs of adjustment are being juggled around. The replacement of short-time allowances by reductions in working time over a set period, as agreed via collective bargaining or in company-level negotiations, is shifting the costs of adaptation away from macroeconomic mutual benefit associations (to which the companies also pay a contribution) and towards company employees.

But PECs also complement national employment policy in various ways. For instance, reductions in the effective time worked that are designed to create more jobs (either by doing away with overtime, as in Germany and Spain, or by using working time accounts or general collectively agreed reductions in working time, or by extending part-time work, as is the case in the Netherlands) help to reduce the pressure on government employment policy to take firm action. Agreements on the initially limited recruitment of young people, also subject to special collectively agreed conditions, ease the pressure on youth unemployment.

The second question outlined above takes up the supportive function of government activities vis-à-vis PECs. As the country reports indicate, government activities have influenced PECs in various ways, in some cases by generating the initial spark which fired their existence and/or by unblocking talks between the parties to collective bargaining via various forms of financial compensation, thereby determining the content of PECs and giving rise to new political strategies that would never have seen the light of day if the government had not become involved. For instance, tax-relief measures benefiting working households definitely made it easier for the Netherlands to follow its chosen path of moderate wage increases. Job-rotation models are virtually inconceivable without government involvement. Only the involvement of government labour market policy, entailing largely self-funding financial participation, creates the conditions

under which companies and employees will consent to corresponding activities. Had it not been for national initiatives, the trade unions would hardly have been able to press ahead with large-scale reductions in working time. What is more, the financial inducements offered by the state can certainly help to reduce the potential for conflict in a working time policy context. A working time offensive launched by the unions would have been unable to fall back on comparable possibilities for intervention. A similar argument applies to schemes allowing for early retirement from gainful employment by older workers, which only started becoming attractive to the people affected (and hence of import to labour market policy) when public sector institutions became financially involved.

The fact that PECs are potentially useful not merely to the parties to collective bargaining or company-internal negotiations, but generally to state institutions also, is an argument in favour of the direct, and primarily financial, involvement of national policy in PECs. Successful PECs, which either avoid dismissals or generate additional new jobs, reduce the costs to be paid out of government coffers as a result of unemployment. If the public sector institutions whose burden has been eased by PECs invest the money they have saved as a consequence in such pacts, rather than limiting themselves to playing the role of ‘hangers-on’, then there is a good chance that projects designed to enhance employment and boost competitiveness will come into being. Of course, this does not mean to say that a new policy on subsidies is demanded; rather, it would appear best to implement employment policy measures of an investing nature, like the qualification-oriented measures in the Scandinavian countries, for example, or in Austria in the context of job rotation. Such measures not only immediately bring down unemployment, but also shore up the employees’ medium-term and long-term ability to adapt, as well as enhancing firms’ competitiveness, thereby creating the conditions required for economic structural change. In view of the scant resources available, it still remains to be seen in the context of an overall employment policy strategy what the priorities of national policy should be when supporting PECs, in terms of the content to be included and the concepts to be applied.

PECs also influence interest group policy. The parties to collective agreements are assuming increasing employment policy responsibility at inter-plant level, and even more at plant level. Especially in countries with a strict division of labour between sector-specific collective bargaining policy and plant-level interest group policy as part of the dual system of interest group representation, plant-level actors have new tasks and responsibilities. Safeguarding employment, creating new jobs and plant-level restructuring processes are complex management tasks which workforce representatives have a hand in organising. At least, this is true of the employment and competition policy strategies adopted, which, in the eyes of workforce representatives, have to be evaluated and if necessary corrected, and for which they are also responsible vis-à-vis the respective employees.

Workforce representatives are increasingly becoming co-managers of plant-level restructuring measures. This raises questions as regards how well qualified they are to deal with these tasks, which have far-reaching social consequences; the extent to which they receive information on the business situation of the plants or companies, and on planned restructuring measures; and the



extent to which they are also included in any subsequent implementation. This report cannot answer these questions, but answers are very urgently needed if the PEC concept is made the norm and becomes a new pillar of employment policy.

Future research into PECs

The overall aims of the Foundation's project 'Pacts on employment and competitiveness' are to determine the importance of PECs in the context of employment policy and structural policy, and to map out the extent to which PECs can restructure and more efficiently manage the interplay between social pacts, national employment policy and collective bargaining policy.

Where the further academic treatment of PECs is concerned, within the framework of either national or international comparative analyses, both conceptual considerations and empirical findings provide important building blocks for integrating the PEC concept into theories of industrial relations and institutionalist approaches to employment theory.

The nature of the data available to the project means that these aims can only be partially achieved and that the overview report, along with the companion case study report, can only represent a first step in understanding what is a complex phenomenon. One important source of data is the information from the EIROOnline records summarised by Zagelmeyer (2000). The other is the national overviews that were specifically commissioned for the investigation, from the correspondents in the 11 countries, to give more detailed information on the main features of PECs. Both sets of data are qualitative rather than quantitative. Inevitably, they reflect the definitions and approaches being adopted in each of the countries, which can be very different. What is more, the finishing touches were put to the reports written by the national teams of correspondents in early summer 1999, and the picture they painted has since been dynamically superseded. The economic situation, and, as a result, the labour market situation, have become much brighter, thereby altering the circumstances in which PECs are concluded. It was not possible for these latest developments to be taken into account for the present report. With these qualifications in mind, the authors hope that future research will be able to build on the foundation of the reports to improve knowledge and understanding still further.




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Negotiating collective agreements on employment and competitiveness

During the 1990s, the parties to collective agreements in the EU Member States responded to the ongoing employment crisis by concluding numerous 'pacts for employment and competitiveness' (PECs). In so doing, they adopted a new approach to employment policy. In this context, PECs may be defined as collective agreements at sectoral or company level that deal explicitly with the issues of employment and competitiveness, and with the relationship between them, to either safeguard jobs that are at risk or create new ones.

This report examines the different approaches taken by PECs in 11 Member States of the EU, focusing on the overall significance of the agreements for employment and collective bargaining policies. It highlights the wide-ranging content of the agreements – covering innovative measures on working time, wage structures and work organisation – and points to patterns occurring in the different countries or sectors of industry. Above all, it aims to show that, despite the difficulty of assessing the quantitative importance of PECs, it is evident that in qualitative terms they are having a far-reaching impact on all aspects of collective bargaining.

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