



Europeanisation of industrial relations in a global perspective

Main Findings

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The Europeanisation of industrial relations

Conclusions

Globalisation is the intensification of economic, political, social and cultural relations on a global level. However, no simple definition adequately explains this very complex process, and it is even questioned by a number of theorists if such a process exists, or if globalisation is a neologism for the process formerly termed internationalisation (Table 1 on the next page presents the different empirical arguments).

Main findings

- Empirically, the internationalisation of finance capital and integrated production ('global sourcing') provide the most convincing evidence for the globalisation process. A consequence of this globalisation has been constantly shifting power relations between capital, labour and the state, largely to the advantage of capital.
- Intensified international trade and competition and increased exit options for capital have weakened the role of the state as a regulator in industrial relations; however the nation state remains dominant in the international political order.
- There has been a convergence in the challenges posed to national industrial relations systems and actors, although national institutional diversity remains.
- As a result of the shifting power relations between capital, labour and the state, voluntaristic enterprise and company-centred agreements are becoming increasingly important. Since the 1970s a significant trend has been the strengthening of the legal framework for workplace representation and participation. Alongside the local/company level, the European level of industrial relations is gaining importance, potentially at the expense of the national level.
- In collective bargaining terms, the national sectoral level remains dominant in the majority of European countries. However, in recent years a widespread trend towards organised decentralisation has been observed. There has also been a noticeable convergence in the outcomes of collective bargaining, but national institutional arrangements remain diverse. Thus, on the trade union side, Europeanisation has taken the form of coordination rather than harmonisation of collective bargaining strategies.
- As a result of the increased complexity created by globalisation, organising strategies for both social partners have been challenged.
- In comparison with other regional entities, the regulatory properties of the EU are unique. Thus, at this supra national level new forms of capital re-embedding (to constrain the action of market participants through social norms and state regulation) may gradually take over some functions of the nation state. However, constraints arise from the mechanisms of EU policy-making and existing national institutional diversity.
- In spite of increased scientific interest in the Europeanisation of industrial relations in recent years, significant areas remain under-researched. More specifically, the national and sub-national ramifications of the social dialogue, European works councils, European coordination of collective bargaining and the various European economic, social and employment policies, remain obscure.

Table 1: The main arguments behind the globalisation hypothesis

Empirical arguments in favour of the strong globalisation hypothesis (globalisation as reality)	Empirical arguments in favour of the weak globalisation hypothesis (globalisation as a myth)
<ul style="list-style-type: none"> ● There has been an intensification in world trade competition and by this a shift in international trade structures from complementary to supplementary trade. ● Increase in international financial transactions (inc. FDI), accompanied by high volatility in financial markets and in the spread of shareholder-value cultures. ● Growth in number of multi-national companies (especially via accelerated company mergers as a result of the European single market), who are more able to adopt global sourcing strategies (internationally integrated production networks), including the decentralisation of production. This is true especially for the growth of multi-national information, communication and technology companies, who have the added advantage of being relatively foot-loose (because they do not require strong manufacturing infrastructures). 	<ul style="list-style-type: none"> ● Empirically, trade and FDI remain overwhelmingly concentrated in three global regions (North America, Japan and Western Europe). Thus, globalisation must really be considered as triadisation. ● Local production networks and linkages are increasingly important especially for successful global players because of their economic effect (increase in efficiency and effectiveness). ● The European single market is increasingly important for the re-embedding process of internationalised capitals. ● There has been no single convergence on a model of social and economic organisation. Diversity remains a strong feature of the international social, economic and institutional landscape; the typical answer to globalisation processes are forms of specialisation within national market economies.

Source: Hoffmann 2001

The challenges posed by globalisation

The globalisation process is linked to tertiarisation, the growth and dominance of the service economy in advanced capitalist societies. This has run parallel to the emergence of new industries, dominated by small and micro sized enterprises, which are barely organised by trade unions or employers' associations. This process is, in turn, linked to the increase in female labour market participation.

For decades there has been a gradual erosion of the traditional socio-cultural milieus of the workers' movement, and a realignment of collective identities. This is a process of pluralisation and modernisation of society. Society is becoming more segmented, individualistic and self-determined.

These external and internal megatrends challenge the foundations on which national industrial relations systems are based.

National labour markets

Employment has risen in the past 20 years, particularly in the last 5 years. The EU-aggregate participation rate was 69% in 2000, the employment rate 63%, and the unemployment rate 8%. Between 1995 and 2000, 10.5 million new jobs were created - 6.2 million women and 4.3 million men were employed as a result. Part-time work accounted for 18% of all employment in 2000, and fixed-term work for 11.4%. Despite the increasing participation and employment rates, the unemployment rate in the EU remains high in 2000. However, national situations are extremely diverse, ranging from Luxembourg with 2% to Spain with 14%. Female unemployment rates are higher than those of men, and youth unemployment is a major cause for concern in some countries (e.g. Spain).

The rapidly growing service sector currently represents two-thirds of total employment in the EU; its development is closely connected with increased numbers of small and medium sized enterprises as well as an increase in the number of self-employed workers. The service sector is highly heterogeneous as it includes everything from low-skilled, low-paid personal services to the high-skilled, high-paid information, communication and technology services (ICTs). The latter had the highest employment growth overall.

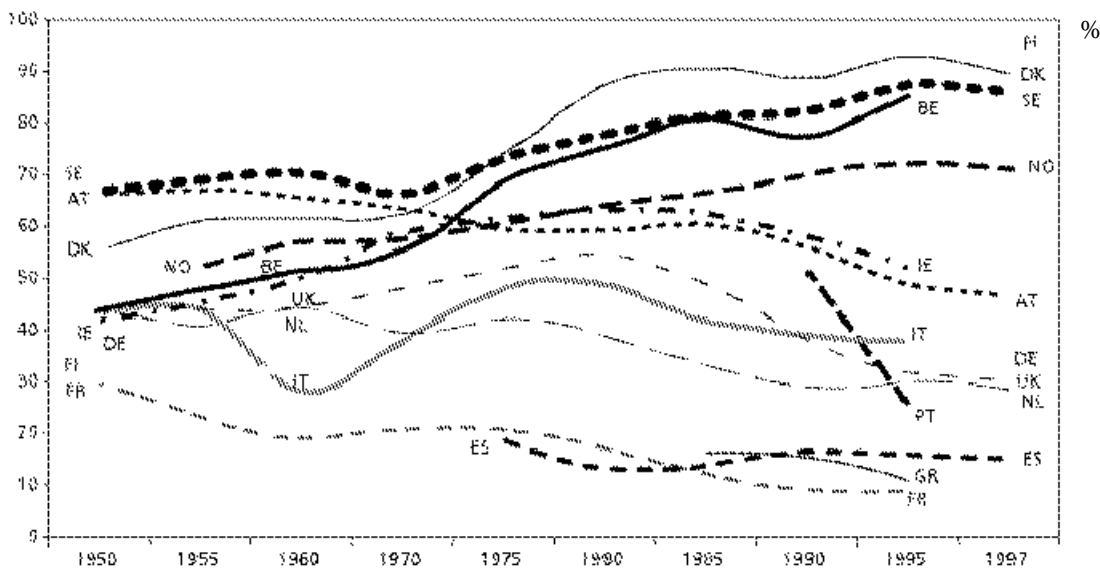
National industrial relations systems

In all advanced industrial relations systems there are three major actors: the state, employers and their associations and trade unions. The two basic pillars of industrial relations are collective bargaining and plant-level interest representation.

The role of the state in national industrial relations remains quite diverse among the advanced capitalist countries. Although the state is directly involved in industrial relations as a framework regulator in all countries, indirect state involvement, through labour market and social legislation and policy, varies.

In recent years increasing numbers of individual employers have rejected both their collective associations and multi-employer bargaining arrangements. On the trade union side, the experience has not been uniform, with some national labour movements retracting whilst others remain strong players. Union density is considered an indicator of strength (see figure 1). However, the erga omnes principle, which is applied in many countries, ensures that collective agreements are extended to the relevant workforce.

Figure 1: Evolution of trade union density



Source: Ebbinghaus and Visser, 2000

Collective bargaining

Over the past two decades European bargaining systems have experienced trends of both centralisation and decentralisation. These are attributed to various internal and external factors.

These trends are not mutually exclusive. For example, in many countries centralised decentralisation has occurred with national framework social pacts being agreed by the peak organisations and company-level agreements defining their detail.

Table 2: Centralisation and coordination of collective bargaining in the 1990s

	Coordination	Collective bargaining level		
		Company	Industry	Economy
Strong	Centrally coordinated negotiations or state intervention (with sanctions)		Trade Unions as bargaining initiators (D, A) Employer Coordination (JP,CH)	DK (98-99) B (94-99) IRL (94-99) NO (90-97, 99)
Medium	Centrally coordinated negotiations or state intervention (without sanctions)			S (90-93); NL (90, 93-99); FIN (90-92, 95-99); AUS (90-91); B (90-93); IRL (90-93); I (93-99)
Weak	Some internal coordination		DK (90-97); NL (91-92); S (94-99); FIN (93-94); NO (98)	
None	No coordination	UK; US; CAN; NZ; AUS (92-99); I (90-92)		

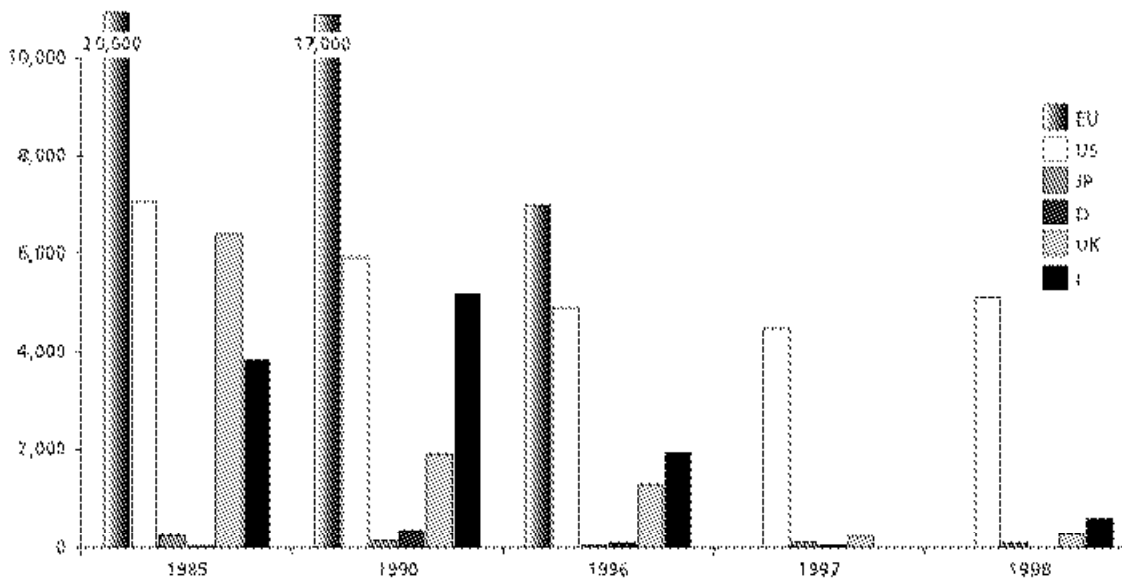
Source: Eichhorst et al. 2001

During the last two decades, the collective bargaining agenda has broadened to cover, for example, lifelong learning and early retirement. At the same time, as a result of European integration (EMU), room for manoeuvre on wage aspects of national collective bargaining has contracted. Since the 1990s a process of rapid transformation of industrial relations in Central and Eastern Europe has also been taking place in terms of adaptation of the previous centralised command economies to the new political, economic and social realities.

In the United States and Japan, collective bargaining is traditionally conducted on the company level (although in Japan the shunto system performs a coordinating role). Some scholars have considered this as an advantage because of the added flexibility and adaptability in post-Fordist production structures. Accordingly, in some countries decentralisation has been pursued with a view to improved efficiency. Within Europe, collective bargaining at the sectoral level is typical, attempting to remove wages (and some forms of labour market regulation) from competition, thus ensuring a higher level of social cohesion.

A further relevant common development in European industrial relations is the declining importance of labour conflicts over the last two decades. The strongest evidence of this trend comes from the substantial fall in the number of working days lost due to strikes (see figure 2).

Figure 2: Industrial disputes in comparative perspective, in days - 000s



Source: *European Commission 2000b:45*

Workplace representation

Alongside the traditional forms of plant-level interest representation, numerous new forms of participation have emerged in recent years. These new participation practices can be seen as complementary to institutionalised forms of interest representation, but are also in some cases alternatives.

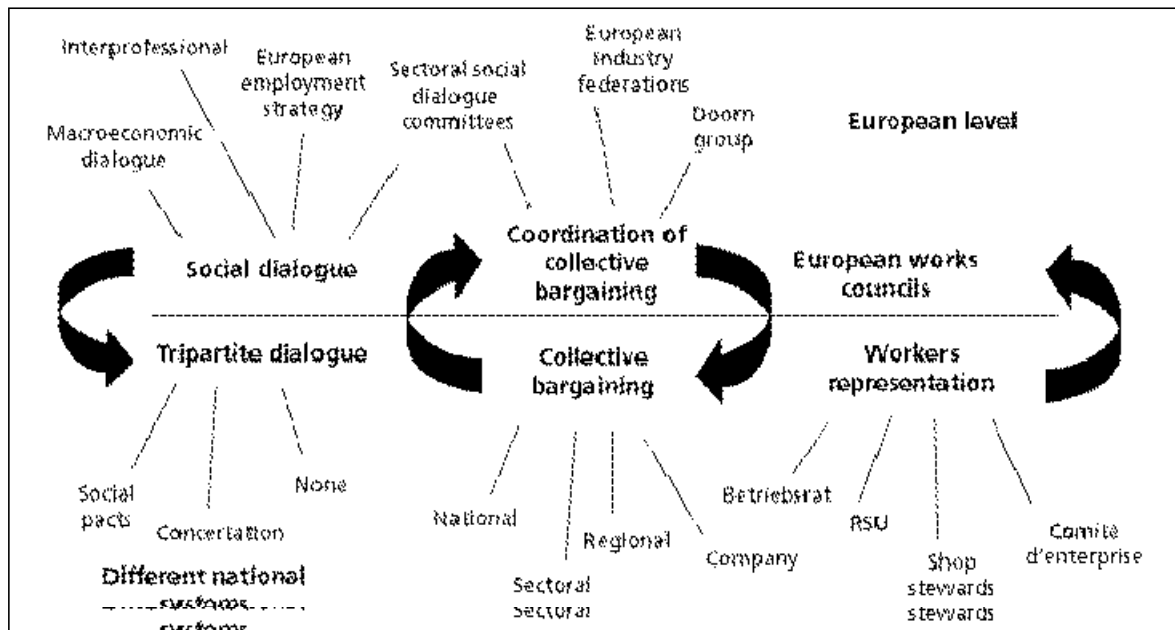
Workplace interest representation plays a vital role, particularly with regard to the introduction of new technology and the associated changes in work organisation. The objectives of representation are simultaneously to maintain and improve competitiveness and to secure jobs and improve working conditions. Among the existing forms of workplace representation there is diversity in the types of action available, and a relevant question is whether the process of globalisation is associated with a trend towards greater convergence.

Both worker representatives and management at plant level have faced new challenges resulting from the decentralisation of collective bargaining systems. Flexible responses, which have emerged from collective bargaining in recent years, have generated ‘knock-on’ effects for national regulation of plant-level practices and conditions, including growing use of different forms of direct participation. The growing importance of the company level does not necessarily mean the erosion of industrial relations systems. Rather our research concludes that this trend should be considered a realignment of national industrial relations under the new conditions of globalisation.

The Europeanisation of industrial relations

Europeanisation is taken to mean the development of a complementary layer of actors, structures and processes at the European level (of a governmental and non-governmental nature), which are interacting with national institutions and actors (see figure 3). This interaction necessitates adjustments to subnational, national and European actors’ behaviour, strategies and structures, whereby European aspects of issues can be incorporated into their national fields of vision and action and vice versa. This does not mean the development of an autonomous European industrial relations system, replacing national industrial relations, however.

Figure 3: Europeanisation: dynamics between existing systems and the new European arena



Source: ETUI

There are six main features of the Europeanisation of industrial relations:

- The social dialogue, as it has developed in particular on the basis of the social partners' agreement of October 1991;
- The 'Directive on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees' (September 1994);
- The European company statute, in which the opportunities for worker participation have been secured by directive 2001/86/C;
- Important supplementary instruments for employment and labour market policies - for which the EU member states will continue to be mainly responsible - including the European employment strategy (Luxembourg process), the macroeconomic dialogue (Cologne process), and recently, the open method of coordination (Lisbon strategy);
- The active involvement of the European industrial relations actors which will provide even stronger incentives for the Europeanisation process. European social partner organisations require further development if they are to do justice to the demands of a European industrial relations system;
- The level of trade union commitment, which will play a decisive role in determining whether or not it proves possible to achieve European-level coordination of collective bargaining policy - in particular under conditions of monetary union.

European social dialogue

The relationships between the social partners at European level include participation in tripartite concertation with the EU institutions, and joint consultations e.g. in the framework of advisory committees, as well as their bipartite discussions or negotiations. Some definitions of European social dialogue include all these elements.

For the purposes of this paper, however, the definition adopted by the Commission with reference to the agreement on social policy is used (social dialogue consists of bipartite negotiations, leading to legally or contractually binding framework agreements).

In view of the sensitivities surrounding the social aspects of European integration it is unsurprising that the European social dialogue – an important possibility for the social partners themselves to shape the social elements of integration – should itself be controversial. It can be seen as both responding to the challenges of Europeanisation (such as the single market and EMU) and representing Europeanisation.

In evaluating the European social dialogue, five main critiques are identified, which address the following:

- Legal and constitutional problems arising from the procedures of the EU social dialogue (e.g. voting procedures in Council of Ministers, the ambiguous relationship between the social dialogue and the European Parliament and ECOSOC and the important but controversial role of the Commission);
- Organisational problems within the structures of the social partners (e.g. the relationship to their affiliates, the availability of adequate resources and internal voting procedures). The power relationship between national and European social partners is reflected in the literature as a major weakness of the European social dialogue;
- The power relations between the parties and the interpretation by the parties of the objectives of the dialogue;
- The importance of substantive issues (such as wages, freedom of association and collective action) excluded from the agreement on social policy;
- The input of the EU institutions, particularly the link to the European Parliament. For a broad overview of the substantive results achieved by the European social dialogue, see Table 3.

Table 3: Evaluation of the social dialogue

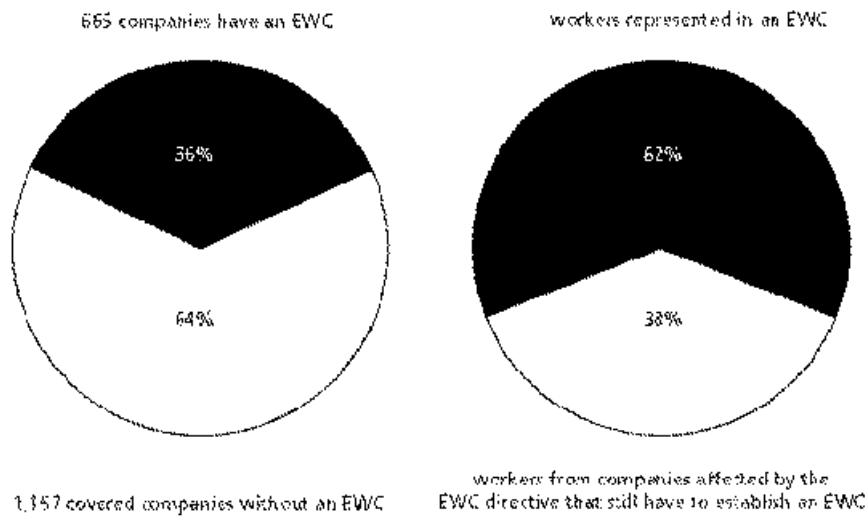
Agreement	Parental Leave (agreement 12/1995; Directive 96/34/EC, 3/6/1996, OJL145, 19/6/96: 4-9)
	Part-Time Work (agreement 6/1997; Directive 97/81/EC, 15/12/97, OJL 014, 20/1/98: 9-14)
	Working Time in Agricultural Sector (agreement 6/1997; voluntary implementation)
	Working Time in Sea Transport (agreement 9/1998; Directive 63/99/EC, 21/6/99, OJL 167: 33-37)
Legislation	Fixed Term Contracts (agreement 3/1999; Directive 70/99/EC, 28/6/99, OJL 175, 10/7/99: 43-48)
	Working Time in Civil Aviation (agreement; Directive 2000/78/EC, 27/11/2000, OJL 302, 01/12/2000:37)
Framework	European Works Councils (Directive 94/45/EC, 22/9/94, OJL 254, 30/9/94:64)
	Reversal of Burden of Proof (Directive 97/80/EC, 15/12/97, OJL 014, 20/01/98:6)
	Negotiations on Temporary Agency Work (Started June 2000 – broke-down March 2001)

Source: *ETUI*

European works councils

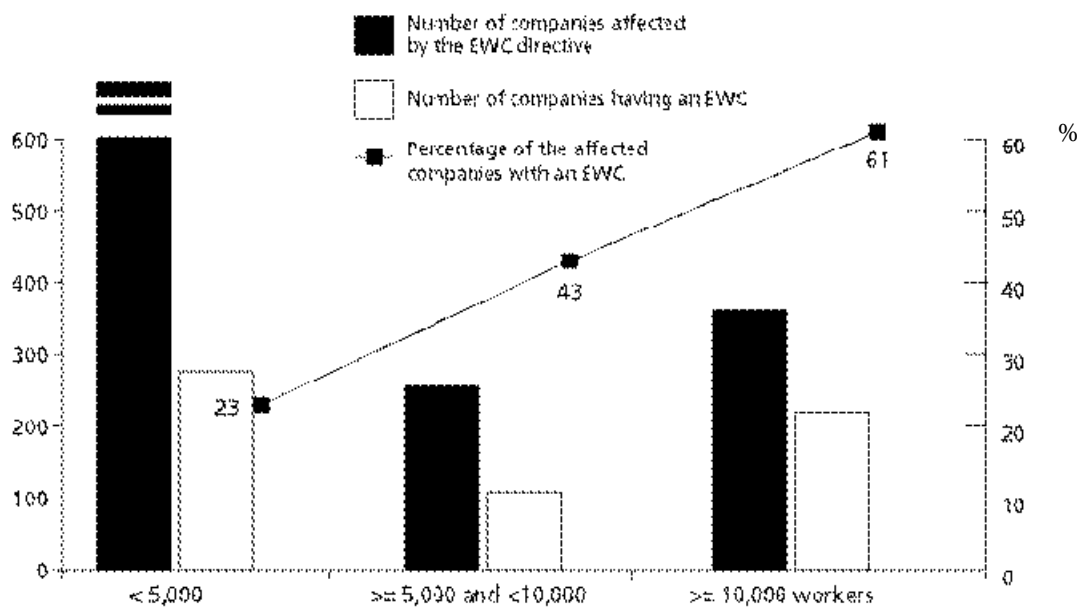
In 1994 the directive on European works councils (EWCs) was adopted, meaning that companies employing more than 1,000 workers in the EU with over 150 employees in at least two member states must establish a European works council (see Figures 4 and 5 for the current adoption rates). The adoption of the EWC directive under the Maastricht social protocol makes it a milestone in the history of European social policy. Success in responding to the challenges of globalisation through the voluntary establishment by social partners of hundreds of EWCs makes them a cornerstone in the Europeanisation of industrial relations.

Figure 4: Number of companies and workers covered by a European Works Council



Source: ETUI 2000

Figure 5: Impact of EWC directive on companies



Source: ETUI 2000

European company statute

The adoption of the European company statute and provisions for employee information and consultation therein has not been widely researched to date, but there is growing academic interest in its origins and potential (especially in conjunction with EWCs).

Employment policy and the macroeconomic dialogue

The process of economic integration has unleashed a dynamic for (at least partial) Europeanisation of policy-making in employment and macroeconomic policy, with consequences for the relationships among social partners, European institutions and member states. Of course, the process of economic integration must be seen in the context of globalisation – partly overlapping and partly responding. These evolving relationships are discussed most extensively in the context of the Amsterdam treaty, its employment title and the Luxembourg process to which it has given rise. The Treaty states that employment is a matter of common concern, indicating that purely national policies are insufficient in the face of globalisation, and implying that a European approach offers the potential for improved coherence. The Luxembourg process involves the establishment of common, European guidelines for employment policy; reporting by Member states on implementation of these guidelines at national level; peer review of performance against agreed benchmarks and using common indicators; and the subsequent issuing of recommendations to Member states. Concerns raised in the literature have merged into a more general discussion about the nature of the process itself – its strengths and weaknesses, capacity to effect change and relationship with other policy tools.

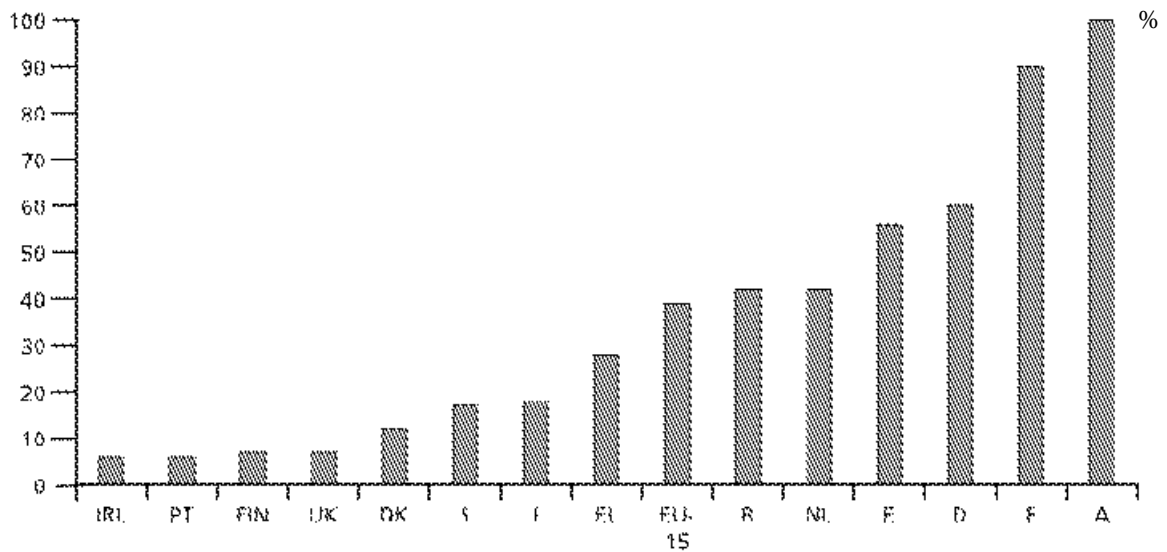
The macroeconomic dialogue, which brings together the social partners, the European Central Bank, the European Commission and ministers of both finance and labour, is still a relatively young instrument and, due to its secretive nature, inherently hard to research. The rationale for the dialogue – to help to avoid negative spillovers from one policy area to another – is clearer than what its future may be. If it is to remain a ‘dialogue’ then its influence will be informal, and probably limited. But there is at present little sign of consensus among the participants that it should adopt a more ambitious role. The attitudes and capacities of the actors will remain of interest as a research field in this context.

The Lisbon European Council in the Spring of 2000 agreed that the open method of coordination – based on the main elements of the Luxembourg process (European guidelines, national reporting on implementation, peer review, recommendations) should be used to develop a coordinated European approach in other policy fields, including those such as social protection where the social partners are involved. The development of this new governance tool will therefore have implications for the social partners at European level and their relationships with their national affiliates.

Implications for the social partners

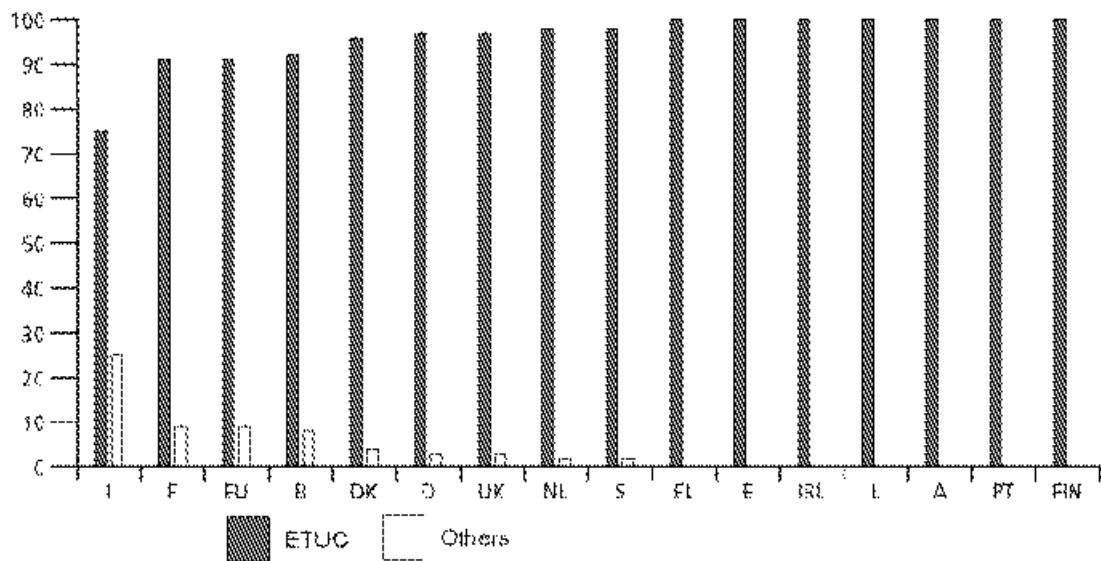
What are the ramifications of European integration for national social partner organisations, and particularly the development of European-level interest representation? Figure 6 demonstrates the diversity of national experiences, but without comparative research on the power and strategy of national business interests it is impossible to gain a comprehensive picture.

Figure 6: Percentage of firms belonging to a European social partner organisation



Source: *European Commission 2000b*

Figure 7: National trade unions belonging to a European trade union organisation



Source: *European Commission 2000b*

Role of the EU institutions

There is no European-level state comparable to the governments of the EU member states. Nevertheless, it is possible to identify some key actors or state agencies on this level as well. Firstly, the Council of ministers, which comprises the ministers of all member states and acts as a legislative body. Secondly, the Commission, which initiates legislation, acts as an executive body, facilitates consultation of management and labour and supports dialogue between the parties. Thirdly, the European Parliament, which, through the treaties of Maastricht and Amsterdam, as well as through the Single European Act, gained some significant cooperation and codecision-making rights. Finally, the European Court of Justice also plays an important role in the social integration of Europe, and, therefore, also for industrial relations actors.

Coordination of collective bargaining

In the context of European economic integration and under the potential threat from social and wage dumping, the European trade union movement has adopted a policy of collective bargaining coordination to be conducted on a variety of levels, but primarily through the European industry federations (1999 congress resolution). Therefore, through Europeanisation national collective bargaining systems and more commonly actors, on the trade union side, are being encouraged to take into account and respond to developments at both the European level and the situations in other Member states (e.g. with the use of a common wage norm).

Conclusions

The scenario in which labour relations are developing under the pressure of Europeanised and globalised markets takes on clearer contours:

- Firstly, the importance of the company level has increased within those firms active on an international scale;
- Secondly, the pressure on labour relations in the nationally and regionally focused firms has increased via benchmarking, outsourcing, global sourcing, and the alternative placement of profits in the financial sector, not forgetting the threatened use of the exit option;
- Thirdly, a process of divergence within the respective national labour markets has paralleled the ambivalent process of convergence and divergence between national labour markets;
- Fourthly, both internal and external labour markets are undergoing significant changes. At present the empirical evidence suggests that it is particularly the low-skill, low-pay labour markets in the EU that are coming under competitive pressure from low-wage countries, and, in addition, that decentralisation and benchmarking processes are leading to increased differentiation in labour markets;
- Fifthly, yet equally the local level and the regional networks are also becoming increasingly important, particularly for the 'global players', and firms are likely to find it difficult to deviate from corporate 'action paths', once they have been chosen; these paths open up globalisation options in very different ways. Thus the resulting scenario is highly heterogeneous, one that indeed offers new scope for action by trade unions and works councils, provided they can recognise and take advantage of the opportunities.

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