

Learning to Play: The Europeanisation of Trade Unions

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Summary

Compared with other world regions, European industrial relations have a few distinct traits: a relative broad basis of representation of the trade unions, sectoral unions, employers organisations and collective bargaining, extensive bargaining coverage, social dialogue and supranational collective organisation of employers and trade unions. At the same time industrial relations in Europe are characterised by persistent national diversity in industrial relations and state involvement, offering the possibility of regime competition between states. The "Europeanisation of markets" has not yet produced, nor has it necessitated the "Europeanisation of collective bargaining". With the completion of the Economic and Monetary Union in 1999 both national and international co-ordination of wage bargaining are at a premium, in response to upward delegation of monetary policy in Europe and increased horizontal interdependence of wage policies across countries. Multinational collective bargaining between unions and employers remains a distant prospect, but the thickening network of cross-border contacts of the European Trade Union Confederation and the European Works Councils offer increased opportunities to union and worker representatives "to play alone"

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Introduction

In the course of the Twentieth Century, the actors, processes and institutions that make up European industrial relations have evolved along national lines. The legacy of national politics, state-society relations, and legal, administrative and cultural traditions is strong and persistent. Europe *is* diversity. To what extent, then, can we speak of European industrial relations and European unions? Is there a future for national systems of industrial relations and national unions? Will national industrial relations systems and national unions converge, blend, amalgamate or erode, or will they instead continue to structure local and company employment relations, perhaps even diverge and compete with one another? What impact will the emergent transnational (cross-border) HRM practices in European companies and labour markets have on these national systems and differences? Will such practices be matched by a 'superstructure' of supranational industrial relations practices and institutions in the European Union? Are there possibilities for developing and connecting industrial relations across states at a subnational level, for instance within the framework of 'Europe of the Regions'?

Analysing the dynamics of internationalisation of industrial relations and union action, I find it useful to distinguish between push and pull factors (see Ebbinghaus and Visser 1997). Unions may be pushed or forced to seek co-operation across national borders because they find no longer allies, protection or rewards within national arena's. This may be true for labour and capital, and may be unrelated to European integration. Thus, globalization is often depicted as a process which erodes the regulatory capacities of national states and institutions which have only jurisdiction within national borders. Brown and Walsh (1994: 383), for instance, identify a "remorseless advance of international competition, undermining institutions that are confined by the frontiers of single nations". Slightly less sanguine, Marginson and Sisson (1994) and Ferner and Edwards (1994) argue that the advent of multinational and Euro-companies, their disaggregation into international business units and profit centres, and intensified cross-border transactions will have destructive consequences

for existing national and sectoral patterns of collective bargaining. Some economists predict that the completion of the Economic and Monetary Union in 1999 will be a “system revolution” (Busch 1996), which may bring about a “spiral of successive competitive wage devaluation” (Brunetta and Tronti 1995: 193) and accelerate the fragmentation and decentralisation of existing national wage bargaining systems (Eichengreen and Frieden 1993). The message is clear: national systems of industrial relations become irrelevant and unions must either co-operate across national borders, or else become ineffective, unable to defend current wage levels and standards of social protection.

On the other hand, unions may be pulled, or drawn into international action by other actors, be they employers, governments, international organisations or supranational actors. Presumably, the major force, in this dimension, is regional, not global. Not the *United Nations* (UN), the *International Labour Organisation* (ILO), the *Organisation for Economic Co-operation and Development* (OECD) or the *World Trade Organisation* (WTO), but the *European Union* (EU) is, and has since the early 1950s been, the main arena and driving force for transnational union action, creating space for and bestowing power on union structures that transcend national borders. The process of market making in the Europe has involved various regulatory and political decisions which, sometimes threatening and sometimes promising, have attracted a rapidly increasing variety of lobbyists and interest groups towards Brussels, Strasbourg or Luxembourg. Unions, too, have shifted resources and authority upwards because there was something to gain or loose in the European arena.

As a matter of fact, the post-1945 history of European interest organisations of employers and unions has been punctuated by the stop and go process of European integration, i.e. the formation of the *European Coal and Steel Community* (ECSC), *Euratom* and the *European Economic Communities* (EEC) in the 1950s, the widening of the Community in 1973, the relaunching of Europe in 1985, the Maastricht agreement of 1991, and the convergence process towards the third stage of *Economic and Monetary Union* (EMU) and a single currency in 1999. In contrast, the international shocks which highlighted the vulnerability of national states and economies (take the Korea-crisis of 1951, the end of Bretton-Woods, the oil shocks of 1973 and 1980, or the collapse of the communist command economies in the late

19980s) did not translate into increased international or region union action, neither in Europe nor elsewhere. The rise of the multinational corporation in the 1960s and 1970s, and their involvement in politics, especially in Third World countries, did provoke a debate in international unions and intergovernmental organisations over the possibilities of co-ordinated trade union and concerted government action. However, attempts to build a countervailing power with *World Company Councils* and start transnational company bargaining, came to naught. International codes of conduct and social clauses guiding the behaviour of the corporations have remained entirely voluntary and self-policed. These attempts had no impact on the pitiful resources and authority of the international employers associations. Nor did they add much to the powers of the *International Trade Secretariats*, the sector organisations through which trade unions co-operate world-wide, some since the last quarter of the 19th century.

The dominance of pull (“temptation”) over push (“necessity”) may be historical and matters may change when in an accelerating process of market and monetary integration and increased global competition the regulatory capacity of the nation states is not just under threat, as it is today, but has actually become a memory. In my opinion it is prudent to see this historical fact as proof of the importance of state support for social order, interest aggregation and industrial relations--in short, as a historical argument against “neo-voluntarism” and “spontaneous order” in industrial relations, whether at the regional, national or international level (see for contrasting views Sabel 1992 and Streeck 1996). Without intergovernmental bodies, such as the ILO, the WTO or the OECD, there would be little durable international association of labour and capital. Without a partly state-like supranational organisation like the European Union and its various agencies (Commission, Parliament, Court of Justice, etc.), there would hardly have been any organisational development, with an upward shift of resources and authority, in these associations (Martin 1996; Jensen, Madsen and Due 1995; Visser and Ebbinghaus 1992). Comprehensive transnational interest organisation is not likely to be a spontaneous outcome of market integration, but needs the help of a concurrent process of international state formation.

A unique experience

Despite the decline in unionisation in the 1980s and 1990s in many countries, unions in Europe have a much wider basis of representation, more resources and greater capacity for political influence and industrial action than elsewhere in the world. Membership in the European Union averages one-third of all wage and salary earners, which is considerably higher than in either Japan (23%) or the United States (13%). Few countries in Asia, Africa or Latin America reach density rates of over 20%, in many countries unions are prohibited or severely limited in their activities, and everywhere the formal wage sector is quite limited (Galenson 1994; Rama 1994; Thomas 1995; Visser, forthcoming). In all but a few countries (South Africa is an important exception), trade unions experienced further decline during the 1990s. In Central and Eastern Europe and in Russia union membership appears to be higher than in most western European countries, but actual union support, in strikes or opinion surveys, is small and declining (MacShane 1994).

The relative strength and stability of European trade unions is related to the continued predominance of sectoral collective bargaining and collective organisation of employers (Traxler 1994; Visser 1996). Europe is the only world region where the majority of workers is covered by collective bargaining agreements, often with the assistance of public authorities which give such agreements legal status even beyond the constituencies of the negotiating unions and employers associations. This helps explain why agreements over basic terms and conditions of employment reach 70% and more of all workers even in countries like France, Spain and the Netherlands, with union densities of 8%, 20% and 29% respectively. Europe is also the only region of the world with extensive and powerful employer associations capable of negotiating on behalf of member firms. The only major European countries in which sectoral collective bargaining and employer organisation has collapsed during the past decade, the United Kingdom, witnessed the largest decline in union representation, from 51 to 31% in just fifteen years. It is the only country where bargaining coverage shrunk by a large measure and is now much less than 50%. In nearly all countries outside Europe, one or the other form of enterprise unionism and enterprise collective bargaining, if any, has become dominant. Together with political patronage and inter-union rivalry, it is a major source of union weakness and social exclusion.

A third distinctive feature of the European experience is the existence of *social dialogue* and consensus-seeking institutions. In many countries forms of institutionalised co-operation between governments, employers and trade unions started in 1945, or even earlier, and have continued till the present day, despite various conflicts, crises and even lapses of inactivity. In recent years, tripartism and corporatism have made a come-back and experiences in for example Italy, Ireland, the Netherlands, Norway or Portugal suggest that bargained corporatism has helped to enhance national capacities for co-ordination, adaptation and change in an increasingly interdependent economy (Visser 1997). Tripartism has been used as a method of building interest organisations engaged in interest articulation and conflict resolution in South Africa, as well as in Central and Eastern Europe, with varying degrees of success (Héthy 1994; Sobótka 1997; Standing, Sender and Weeks 1996). State corporatism has been tried in many Latin American, African and Asian countries and was in many cases a cover for incorporation of and domination over trade unions by authoritarian and one party governments. Under communism unions are first and foremost transmission belts for the disciplinary and productionist purposes of the Party, additionally they may be enterprise-based distribution systems for welfare and favours. These union-state and union-party relationships have almost everywhere been broken up as a consequence of the democratisation and structural adjustment programs that took place in the 1980s and 1990s, leaving behind in most cases weak, fragmented and utterly insecure unions.

A fourth and final distinctive European phenomenon is the existence of a significant supranational dimension in industrial relations, employers' and union organisation. Measured by its scope, resources and impact, the *European Trade Union Confederation* (ETUC), is without parallel in the world. The same can be said of the UNICE, the *Union of Industrial and Employers' Confederations of Europe*, and CEEP, the *European Centre of Public Enterprises*, to name only the most important ones. Despite a long tradition of international unions in North America with members on both sides of the Canadian-US border, the Free Trade Agreement (FTA) between Canada and the United States of 1988 and six years later the North American Free Trade Agreement (NAFTA) with Mexico did not lead to the formation of an international union centre or lead to efforts to co-ordinate collective bargaining

between the unions of the three countries (nor does such co-ordination exist within the US in an attempt to prevent erosion of wage and social standards as a consequence of the competition from “sunbelt states”). FTA and NAFTA did provoke an acrimonious debate, first in Canada and later in the US, over the possibilities of “social dumping”, but there was no *Social Charter* or *Social Policy Agreement* of the type adopted in the European Union. Since its launch in 1985 by Jacques Delors, Europe has its Social Dialogue which is, admittedly, a talkshop mainly, but it did produce one or two agreements which inserted the social partners into the policy-making process of the Union (CEC 1996; Falkner 1996; Obradovic 1995). I do not know of successful examples of durable international union co-operation and co-ordinated social policies between states during the neo-liberal era of the 1980s and 1990s in other world regions. The Europeanisation of industrial relations appears to be a unique experience. There are no other, historical or contemporary examples to draw lessons from.

Persistent diversity

Having highlighted some of the distinctive features of Europe’s industrial relations and unions compared to other regions of the world, we might easily forget that industrial relations in Europe are still embedded in national legal, political and social systems. Even if we limit ourselves to western Europe, or what became the capitalist and democratic part of Europe after the 1945 divide, there remain major differences in state action, interest organisation, level and expression of conflict, social equality and cohesion, as well as social protection and provision. Many of these differences have a centuries-old basis and have a visible and real impact on the lives of today’s workers and citizens, despite repeated attempts to integrate, harmonise or co-ordinate policies and institutions, or redistribute resources between regions in the European Union. In 1993, average income levels in the ten poorest regions of the Union are at 45% of the average, in the ten richest regions they are 45% above average (Teague 1995). Even between countries with the longest history of integration (e.g., Belgium and the Netherlands in the Benelux; the six original EEC members Germany, France, Italy and the three Benelux countries; or the members of the Nordic Union) differences persist, in institutions, policies and outcomes. Collective action organisations such as unions and employers associations have adapted to, become more aware of, spent more

resources on, and opened departments dealing with international affairs, but forty years of European integration have produced remarkably little convergence in union structure, values and ideology. Politicians are elected by and union leaders held accountable to national constituencies; cross-national differences in industrial relations institutions and practices reflect differences in power, preferences, and outcomes. Hence, we cannot understand Europeanisation as a vertical process only, acting through *downward intervention* or “the modification of arrangements at the lower (state, region) level through harmonisation at the higher level” (Streeck), or through *upwards delegation* or “the creation of a new, higher (European) level of jurisdiction in addition to, and on top of, the jurisdiction of national systems” (ibid.). We must also take account of horizontal process of competition and *interdependence* or “the factual pressures that originate in properties or policies of other regimes at the same level” (Streeck), be they firms, regions, sectors, countries or even groups of countries.

Drawing from the comparative studies of Crouch (1993), Esping-Anderson (1990) and Ferrara (1995) we can distinguish four industrial relations regimes (see figure 1).

In the confrontational model capital and labour “are alienated, their relationship is unformed, interaction is likely to be thin on the ground and to take the form of conflict” (Crouch 1993: 31). Recognition is limited or absent, parties dispute each other's claim of legitimacy, relations are highly conflicting and frequently require the intervention of the state. In this model labour law has an important role in defining individual rights in substantive rather than procedural terms, but much of this is aspiration since the state's capacity of implementation is weak or contested. The right of work and welfare is proclaimed rather than implemented, social exclusion and legal evasion is widespread, and the welfare state exists only rudimentary. In this group I place the Southern European countries, i.e. Greece, Italy, Spain, Portugal and Spain.

In the pluralist model capital and labour have developed a bargaining relationship; both have an adversarial value system, though they may agree on procedures and accept defeat, provided that the winner has played by the rules. The structure of interest organisation is fragmented and there is little or no central co-ordination. The state tends to abstain and to rely on the self-regulatory capacity of markets to produce binding contracts. Industrial relations are characterised by „voluntarism“; trade union

action is not protected by a system of rights or anchored in constitutional law, but granted by parliament through so-called immunities; collective agreements „bind in honour“ and cannot be enforced through the courts. The welfare state takes on a residual role, as compensatory of last resort and tight enforcer of work in the market place. This is also called the Anglo-Saxon model which in Europe applies to the United Kingdom and Ireland.

In the corporatist model collective bargaining tends to be conducted or supervised by highly organised and encompassing organisations of capital and labour, and to be based on integrative, partly overlapping value systems. Bargaining tends to be supported by consultation, in national policy institutions and on the ground in works councils or joint committees. In this case the role of the state tends to be facilitating, for instance by recognising general union federations, granting privileged access to policy forums, and discouraging rival organisations and enterprise unions.

We can further distinguish between a Nordic or universalistic (Sweden, Finland, Denmark and Norway) and a Central or particularistic (Germany, Austria, Switzerland, Belgium and the Netherlands) group. The position of organised Labour (parties and unions) is stronger in the Nordic group, and labour law tends to establish collective rather than individual rights. Esping-Andersen (1990) has stressed the differences in welfare state development, class structure, labour market participation and the role of women, and public employment between these variants of corporatism and the Anglo-Saxon (and North American) model. In the Nordic group the state backs up the universal right to work by a concept of inclusive social citizenship and the state acts as an employer of first resort and compensator of last resort. The entry of women in employment is supported through a vast development of state-supported collective services, especially in education, health, and social welfare services.

In the “Bismarckian” central group, the state acts as compensator of first and employer of last resort, and welfare entitlements are institutionalised in different for different categories. Here, the state has supported the exit of various groups from the labour market - historically of married women workers, in recent years of older and unskilled workers. In the Nordic group the labour movement has remained united and had a dominant role in the shaping of a universalistic welfare state. In the Centre group ideas of social market economy, social partnership and welfare state were shaped by

the competition between Christian and Social Democratic forces in a consociational and/or federal democratic polity.

The structure of class relationships, the organisation of interests, the expression of political and industrial conflict, and the relation between state and society change only slowly and are deeply embedded in social and cultural value structures (Crouch 1993; Gallie 1983; Poole 1986; Maurice, Sellier and Silvestre 1982). The forms of institutionalised industrial relations show “elective affinity” with patterns of organisation and representation of capital and labour, political and social cleavage structures, and welfare state development (Ebbinghaus 1993; van Kersbergen 1995; Lipset and Rokkan 1967;)

The application of these model to individual countries is not without difficulties. We must caution against painting a static and monolithic picture of what are often fluid and heterogeneous realities. Industrial relation practices and collective organisation varies across sectors and regions within nation states. Some countries seem rather hybrids and exhibit two or more patterns at the same time. Ireland, for instance, has traits of a rudimentary or peripheral welfare state with an extended traditional agricultural sector, but it is also the manufacturing base for many foreign companies and has a remarkable track record in implementing national policies of wage control in agreement with central organisations of employers and unions (Hardiman 1988). Italy and Belgium may be called mixed cases on account of their internal (regional) variation between their Northern and Southern regions, which places them in many ways between a central corporatist and confrontational model. Countries may try to change their position; for instance Italian industrial relations and unions have followed a different trajectory than in France and have in recent years adopted aspects of a central European pattern. Industrial relations, union organisation and conflict within sectors such as printing, wholesale banking, construction, airlines, shipping, or road haulage may exhibit many common traits. Yet, the interaction with social security, welfare state and labour market policies has given a national imprint to industrial relations in industries which by the nature of their technology or the degree of international interdependence are prime candidates for emergent transnational practices and relationships.

Figure 1: Models of Industrial Relations in Western Europe

	Northern Corporatism	Central Social Partnership	Anglo-Saxon Pluralism	Latin Confrontationalism
organised interests ■ unions and employers	<i>cohesive disciplined comprehensive</i>	<i>segmented disciplined partial / stable</i>	<i>fragmented volatile variable</i>	<i>rivalry volatile variable</i>
relationship ■ union-employers	<i>labour-led / balanced</i>	<i>balanced / employer-led</i>	<i>alternating / unstable</i>	<i>weakness both sides / large role for state</i>
collective bargaining ■ dominant level ■ coverage ■ depth ■ style ■ pattern	<i>sector. high significant integrative stable.</i>	<i>sector. high moderate integrative stable</i>	<i>company small to moderate significant adversarial unstable</i>	<i>unclear medium to high limited contestational unstable</i>
co-ordination	<i>considerable (union-led)</i>	<i>considerable (both or employer-led)</i>	<i>absent</i>	<i>variable</i>
conflict	<i>low highly organised</i>	<i>low highly organised</i>	<i>medium dispersed</i>	<i>high spasmodic</i>
role of the state	<i>facilitating</i>	<i>facilitating</i>	<i>abstaining</i>	<i>intervening</i>
	<i>collective labour rights</i>	<i>individual and collective labour rights</i>	<i>voluntarism</i>	<i>individual. and collective labour rights</i>
welfare state	<i>comprehensive</i>	<i>fragmented</i>	<i>residual</i>	<i>rudimentary</i>
	<i>right of work</i>	<i>right of income</i>	-	<i>right of work and welfare proclaimed</i>
	<i>state is employer of first resort</i>	<i>state is compensator of first resort</i>	<i>state is enforcer of work in market place</i>	-
countries	<i>Sweden Finland Denmark Norway</i>	<i>Austria Germany Switzerland Belgium Netherlands</i>	<i>United Kingdom Ireland</i>	<i>France Italy Spain Portugal Greece</i>
(hybrid cases)		<i>(Belgium) (Ireland)</i>	<i>(Switzerland)</i>	<i>(Belgium) (Ireland)</i>

The decline of the national level

In the remainder of this paper I will consider the Europeanisation of industrial relations in the light of two challenges--the advent of the multinational corporation and the European integration process, in particular the completion of the Single European Market and the Economic and Monetary Union. Both challenge the relevance and efficacy of national organisations, rules and frameworks. One way in which this may happen is deregulatory competition. This possibility has been analysed by Streeck (1996) who argues that in a fragmented system like the European Union, in which capital is free to move across borders, member state are under a strong temptation to compete by lowering standards of environmental, consumer, health and social protection in an attempt to remain attractive to capital. For this to happen, capital need not actually move across national borders but only threaten to do so. States and unions may respond by increasing mutual co-operation and seeking re-regulation at a higher, European level, for instance by agreeing on minimum standards of protection.. However, measures of “positive regulation” have to go through the “needle’s eye” of the Council of Ministers, in which often a single member state or, when qualified majority voting applies, a small coalition of member states can block a decision. That is why unions are doubly disadvantaged. Power, defined as the capacity to realise one’s objectives, if necessary against the opposition of others, is naturally in the hands of the most mobile factor, the one that can credibly threaten with exit. In addition, “negative integration” requires only a low level of international co-operation, because even under qualified majority voting the threshold of blocking a decision (currently 26 votes) is much lower than the threshold of winning a decision (86 votes, or 76 when the UK is excluded, as in the Social Policy Agreement). Labour, in other words, faces a power deficit in the market due to its relative immobility, and in European politics due to “the logic of non-decision inherent in intergovernmental systems” (Streeck 1996: 89).

As a counter-argument one can argue that some re-regulation has occurred. All important proposals in the 1989 Social Charter and Action Program on Social Policy of the European Union (e.g., the directive on obligation on employers to inform workers on employment conditions; the directive on aspects of the organisation of

working time, the directives on protection of women and young people at work; the revision of the 1975 directive on the approximation of laws of member states pertaining to collective redundancies; the directive on works councils or structures for information and consultation in community-scale companies; the directive on parental leave, the directive concerning the posting of workers in other member states; and - still under negotiation - a set of rules regarding atypical employment) have been adopted, either on the basis of the Treaty or, after a veto of the United Kingdom, on the basis of the annexed Social Policy Agreement, in one case (i.e., parental leave) after European unions and employers reached agreement. With these measures, however, the stream of social policy legislation appears to have “dried up” (EIRR 276, 20). Furthermore, the proposals that were adopted were considerably weakened in the protracted negotiation process leading to their adoption, even after the opt out of the United Kingdom. A case in point is the European Works Council directive of September 1996, which contains no enforceable obligation on employers to inform their employees in time or on all relevant social aspects of company policy. The directive stays within a voluntary framework and does not give workers in multinational firms a right or tool of joint decision making. Hence, there is no comparison with the works councils in Germany and The Netherlands, or even with councils in Belgium or France where a significantly weaker legal statute applies (see Rogers and Streeck 1995 for an overview).

The recent decision of French car maker Renault to close its factory in Vilvoorde, Belgium, is an eloquent illustration of the weakness of European regulation and the problem of de-regulatory competition between countries whose politician desperately need to show that they can bring home jobs. The jury is still out on whether Renault broke the 1992 directive on the approximation of national laws regarding collective redundancies. The fact of the matter is that Belgian legislators adopted a particularly weak transposition of that directive in national law in a bid to keep the country attractive for foreign investment. Politicians who now cry foul may be accused of hypocrisy. Possibly, Renault acted against French law and should have discussed the closure of its Belgian plant with its French works council, or the French unions, but there would have been nothing to stop the company to go ahead as planned. The irony is that the European Works Council was precisely meant, not to

create co-decision rights for workers, but include representatives of plants located abroad into otherwise national deliberations. A further irony is that Renault, like many French companies, was among the first to negotiate a voluntary council, even before the Directive passed the European Council in September 1994, and that a new voluntary agreement was negotiated with the unions in 1995. Apparently, this did not require of Renault to inform the council, nor did it suggest to Renault's management that it might have been advisable to discuss the closure with the council. Finally, the possibility that a new plant will be developed in Valladolid, Spain, with European subsidies that were needed to win the approval of Spain and other Southern countries with what turns out to be quite ineffective social legislation, is entirely fitting in this illusionary house of broken dreams.

Cases like Renault are, however, rare. Like the widely publicised decision of Hoover, in 1993, to move from France to Scotland in pursuit of lower wage costs and docile unions, it will probably weaken the employers case since it raises the political pressure on legislators to improve social legislation. The fact is that there has not been a "race to the bottom" yet, even where it would legally and technically have been feasible within the increasingly liberal environment of the Single European Market. Among students of international business there appears to be a consensus that the dominant motives for firms to move abroad are markets, not wages (Dunning 1993). Firms move production sites rather than ship products to a foreign markets if trade barriers are high, if their products are service-intensive, if markets are non-standard and local knowledge is at a premium. Within a truly Single European Market the first and the third motive may no longer be relevant, but in today's markets proximity to the customer, local knowledge and readiness for service have gained in importance. This means that the costs for firms to move production out of areas where there are many rich and demanding consumers may be high. Firms may even chose to invest in high wage countries for reasons of economy of scale and agglomeration (Krugman 1991). Finally, firms may also fail to arbitrage between regimes. All this adds up to explaining why capital export rates are highest between rich countries and that only small proportions of total foreign direct investment have gone to poorer countries, in Europe and elsewhere. This need not tell us much over the future. Lower transport and communication costs, and new technologies, may facilitate the dislocation of mass

processing of goods and data to cheap places, and yet retain local proximity. Publications and press releases of large firms and business organisations do suggest that “virtual arbitration”, based on the threat to move if no compensation is obtained, has increased and does put pressure on wage costs and levels of social protection. Social policies are less and less defended for their own sake but has to show how they adds to business performance, or are at least cost neutral. In an environment of high and persistent unemployment, as currently exists in Europe, bench-marking of social legislation is likely to be in terms of the incentives it provides for firms to create and for people to take jobs (Melkert 1997). Proponents of public choice theory welcome regulatory competition exactly for this reasons, since it introduces economic usefulness as the dominant “reality principle” (Luhmann) in social policy making (see for instance Geelhoed 1996).

Whether national collective bargaining structures and social policy regimes remain an important source for social protection and regulation of workers depends not only upon the degree of deregulatory competition between states and the possibility of European re-regulation. Decentralisation of collective bargaining and reform of social policies have been observed in many countries since a decade or longer (Baglioni and Crouch 1990), and may in contrast originate from technological and organisational change, and greater social and cultural diversity among workers, consumers and citizens (Locke, Piore and Kochan 1995). Decentralisation tends to produce more diversity in rules and behaviour across industries, firms and regions within national states. Some scholars see the beginning of the end of national unions and national industrial relations regimes. They foresee a breaking up of national structures in regional or local units, in which legal constraints play a smaller, and face-to-face relationships of mutual trust a larger role (Locke 1992; Sabel 1992). Others see the absence of a political and legal infrastructure at the regional level as the main reason why regional collective bargaining and regional trade unionism has in most countries a shadowy existence only (Teague 1995). Another possibility, less remote, is that national (i.e. sectoral) collective bargaining systems will crumble into a patchy fabric of company bargaining in which increasingly a transnational dimension is inserted (Marginson and Sisson 1996). In contrast to a regionalisation of industrial relations, such a development is entirely compatible with a “neo-voluntarist” regulatory

framework. The creation of a transnational collective bargaining framework, through upward delegation and based on the supranational authority of regulators and interest organisations, is impossible without the active promotion of a European state and therefore unlikely.

Transnational company bargaining

The possibility that multinational enterprises use the threat of investment abroad against the rights and standards of workers at home is not new. When in the 1950s American car manufacturers came to Europe, US unions were afraid that highly paid jobs of Americans would be lost. They saw international co-operation between trade unions as a means to defend domestic interests, and invited German and Belgian unions to be more combative. Help your weak friends abroad to help yourself is an old game in international unionism, and the suspicion of protectionism is never far away when unions in America or Europe advise their brothers in Portugal, Poland, Mexico or India. The wave of mergers, the phenomenon of “runaway investments” and the growing power of multinational corporations in the late 1960s caused some rethinking of strategy (Levinson, 1972). Radical union organisers and intellectuals presented Western Europe as the “make or break” region for international labour solidarity and the World Company Councils as the “seedbeds” for transnational collective bargaining (Günther, ed., 1972; Piehl 1974). On a more modest plane, American union leaders pleaded with their European colleagues that unions should at least try to achieve common expiration dates for collective agreements with multinational enterprises. This would have allowed some degree of co-ordination of bargaining demands and activities, without demanding any participant to pledge support in pursuit of common objectives. The proposal was rejected by continental European unions. They feared the breaking up of sectoral or national co-ordination of wage bargaining (Bendiner 1987). This episode illustrates how cross-national differences in collective bargaining systems (US-style company and pattern bargaining versus European-style sectoral bargaining) resist even low-order international co-ordination between unions.

After some initial meetings, for instance at Philips, General Motors or Pirelli-Goodyear, union attempts to engage themselves and employers in multinational collective bargaining failed. The reasons are many: a) national variations, foremost

differences in the law, in the organisation, ideology and strength of trade unions, in the structure and methods of collective bargaining, and in national practices of consultation and concertation; b) union resistance, due to distrust and ideological reservation, reluctance to give up control, and competition between unions from different countries and regions for capital investment; c) management opposition and fear to loose control and flexibility in their international operations; d) absence of employee support due to lack of awareness and knowledge, cross-border conflicts of interest, and chauvinism; e) lack of support from national governments and major political parties, because they want to retain control over major industries and companies (“national champions”) as well as retain the political control over (allied) trade unions; and f) absence of inter-governmental support structures, codes of conduct or recognition rules, the absence of a legal framework for international sympathy strikes and the conversion of collective bargaining outcomes into national law (Enderwick 1985; Keller 1995; Northup and Rowan 1979; Rose 1987). The increase in international competition and further European integration have probably attenuated the influence of factor e), but for the rest I cannot see much difference with the situation today. We might add to the list the weakening of unions in many countries and the much higher level of unemployment in Europe compared to twenty years ago.

Impressive as they may seem, these obstacles were probably not the main reason why in the past thirty years there was no multinational collective bargaining. The more simple point could be defended that unions paid lip service and did not really need multinational collective bargaining for the defence of wages, jobs and living standards of their constituency. International union co-operation is a difficult and costly operation which requires years of investment and trust building. Ulman (1975) has argued that most European unions had access to cheaper alternatives. They could put pressure on the state and demand job rescue plans, subsidies, or other “make work” solutions when firms threatened to close or move abroad. This escape route may have been narrowed in the neo-liberal climate of the 1980s and 1990s, with the tightening of rules in the Single European Act and with the stricter budgetary policies needed to qualify for the third phase of Economic and Monetary Union.

The impact of a single currency

Two decades ago Roberts (1973: 11) was probably right when he wrote that "it is undeniably the case that the wage earners of one country show little interest in the wage levels and conditions of employment of workers of another". With a single currency this should no longer be so. There are many uncertainties surrounding EMU - Will it happen? In 1999? Which countries will join in the first phase? How will the relations between the "ins" and "outs" be organised? How will the value of the new euro compare with the dollar and the yen? And many questions more. There are too many contingencies for predicting with any confidence the effects on wage bargaining and union behaviour (see Molle, van Nes, and de Ruyter van Steveninck 1997). What we can be certain about, however, is that it makes wage bargaining across states more interdependent and raises the stakes of co-ordination. This has already happened in the run up to EMU. A series of wage deflation measures in Portugal, Italy, and Spain, the unilateral tying of Belgian wages to the development of wages in France, Germany and the Netherlands, the renewed emphasis on national concertation and wage moderation in Ireland and the Netherlands, are all attempts to qualify and enter at a favourable rate vis-à-vis the Deutschmark.

Once EMU is underway, possibly from 1999, the monetary policy of member states will pass from the national level to the European Central Bank in Frankfurt. A single currency will be established and the control of inflation and interest rates will be the responsibility of the new bank. Member states can no longer adjust their exchange rates to offset different inflationary pressures or deal with country-specific shocks. Changes in competitive levels cannot be compensated by de- or re-valuations. Wage flexibility must take the place of currency adjustments.

Sometimes the comparison is made with the United States, where economic and monetary union exists since the end of the Civil War. Historically, in the US regional adjustment to adverse economic shocks has taken place through migration rather than through a movement of wages (Katz and Blanchard 1992). When in a particular region of state unemployment is rising, people react by moving. After some time regional unemployment converges towards the national average, although the regional economy may have shrunk and total employment be lower. This spatial adjustment is missing in Europe. Only Ireland and Portugal have a sizeable proportion of their workforce living and working abroad (Teague 1995: 340, who also reminds us

that labour migration between European countries was higher before the foundation of the European Economic Community, now forty years ago, than it is today). The fragmentation of European labour markets, cultural and linguistic obstacles, the nature of the housing market in many urban areas, the reluctance of workers to move away from their families, are among the factors explaining the low factor mobility of labour and the persistence of cross-national (as well as regional) disparities. The decline of the Fordist mass-employment factory is an additional factor, for it removes an important source of the “blending” of low-skilled workers of different linguistic, cultural and ethnic backgrounds. Marsden (1991) has mapped the labour market as a Bell curve, with only significant cross-national migratory flows at the extremes. At the high-income end of posted managers, professionals and some younger skilled workers, cross-border flows may increase on account of increased cross-national merger activities and joint ventures of multinational enterprises. At the low-income end there is the possibility of an increasing flow of partly illegal or extra-Communitarian workers in low-paid service jobs shunned by nationals. The bulk of the 130 million employed wage and salary earners in the European Union work in jobs within nationally delineated labour markets. Job qualification, vocational training, hence job security, social security and remuneration vary within national borders, for instance between occupation-based systems (as in Germany) which encourage transferability of skills between enterprises, and firm-based systems (as in France) which encourage workers to develop careers within internal labour markets. These differences do not wither as a consequence of EMU and attempts at harmonisation of qualification systems have proved extremely cumbersome. The great majority of the 18,5 million unemployed workers in the EU in 1996 cannot expect to improve his or her job prospects by moving to another EU country, not to mention the national social security entitlements which militate against such moves.

Trade unions that want to influence the distributive outcomes of a particular market must organise on a scope which is co-extensive with the domain of that market since unions which only part of the market are subject to market competition beyond their reach (Commons 1909). Without a wage cartel, the weakest link in the chain tends to determine the wage policy. From a neo-liberal point of view this is as it should be: “An optimal currency area is one that is larger, possibly many times larger, than the

area for which an effective wage cartel can be established” (Sievert 1992). This is the decentralised wage bargaining extreme in the well-known Calmfors-Driffil model, which may be associated with wage restraint and low inflation (this is by no means certain) but has a number of disadvantages if seen from the point of view of social equity, adaptation to technological change, investment in training and industrial peace. The weak degree of unionisation, limited bargaining coverage, lower social standards and widespread evasion found in many Southern countries, combined with high levels of structural unemployment and rising non-wage labour costs in many Northern countries, constitutes a threat of deflationary wage competition and fragmentation of union power. A parallel may be seen in falling real wages during the inter-war years when currencies were tied to each other under the Gold standard regime, leading to a process of “deflationary fragmentation (...) of which a market feature was the loss of authority of trade unions and employers’ associations, and an increase of autonomy at the establishment level” (Flanders and Fox 1969: 264). It is for this reason that the European Trade Union Confederation qualifies its support for EMU with an appeal to governments and employers to jointly develop an employment-oriented growth strategy in the sense of the 1993 Whitebook of the Delors commission (CEC 1993). At the Dublin Council in December 1996 the intention has been stated to add an employment paragraph to the revised Treaty, possibly at the Intergovernmental Conference in Amsterdam, in June 1997. Unions from Northern Europe would like to see their higher levels of social protection extended throughout the Union; even the idea of a EU minimum wage is sometimes entertained, but the adoption of such proposals is highly unlikely, as was explained earlier.

Or are the fears of the trade unions in Northern Europe ill-founded and is deflationary wage competition unlikely? Sadowski, Schneider and Wagner (1994) draw the analogy with the operation of the European Monetary System, the closest thing to a currency union, which existed from 1983 till its collapse in the two crises of 1992 and 1993. Under the EMS the German mark functioned in effect as the anchor and the Bundesbank as Europe’s central bank. The combination of fixed nominal exchange rates and moderate inflation in Germany implied a gradual depreciation or undervaluation of the German mark in real terms in comparison with other currencies, especially the lira, peseto and escudo. Consequently, German firms were able to

enhance their price competitiveness in relation to Italy, Spain and Portugal. This was not any longer true when other countries decided that they did not want to bear the costs (of tight money) of the German unification and a series of devaluations led to the collapse of the EMS (the only currency staying within the narrow band of 2.5% with the D-mark was the Dutch guilder). Relative unit labour costs of German firms rose with 30% compared to the competition in Southern Europe. To sum up: "The breakdown of the EMS co-operation has made its former appeal to the German social partners painfully apparent. (...) The EMS operation, a weak substitute for a currency union, reveals the advantages that might accrue to high-income, low inflation member countries in a full monetary union; without exchange rate adjustments, low inflation countries effectively receive a 'subsidy' for their exports and see the creation of new jobs and higher income" (Sadowski, Schneider and Wagner 1994, 529). The fear is, however, that EMU makes zero inflation in all countries the prime objective and that any shock will be responded at by tightening the money supply, leading to more unemployment. It follows that under EMU the trade unions should still have an interest in national co-ordination of wage policies and in the improvement of the functioning of their national labour markets so as to avoid inflationary pressures, high non-wage costs and a decline in exports. This is a national task, best performed by national unions through sectoral agreement under the framework of a central agreement, accord or pact, as currently exist in Ireland, Italy, the Netherlands, Portugal, Greece or Norway (ETUI 1996; Visser 1997).

According to Eichengreen and Frieden (1993) this task becomes however not any less easy, or less important under EMU. In a co-ordinated wage system, the central bank can deter unions from pursuing wage claims in excess of productivity increases by signalling that it will appreciate the currency to offset the impact of the real wage increase. If trade unions regard the implied threat of additional unemployment as real they will restrain if they can (Calmfors 1993). If the power of national central banks is however emasculated under EMU, this institutional sanction is removed and the link between European monetary and national wage policy is attenuated. In my view this implies that national co-ordination must be supplemented by increased international co-ordination. European trade unions are well advised to imitate the information exchange mechanisms which currently exist between the central banks. They should take a

greater interest in each others wage policies and in particular in the wage policies of the German unions, as the strongest of them all. The new European Central Bank might be convinced to run a less tight monetary policy than its German predecessor and there is a chance that the ECB will behave more along the lines of the Federal Reserve Bank in the United States, yet it cannot and will not ignore the wage-setting behaviour of the German unions. If IG Metall were to set its mind on an aggressive wage policy the punishment would not be just in German jobs.

My preliminary - but given the many contingencies by no means certain - conclusion is that EMU does not necessitate Euro-wide collective bargaining any more than the Single Market and trade integration did in the past. Fortunately, because if - as argued by Busch (1996), Jacobi (1996) or Keller (1995) - I am wrong and multinational collective bargaining is needed for the defence of high social standards, then the unions are indeed in deep trouble. There is no chance of Euro-wide collective bargaining in the near future, except perhaps in the narrow boundaries of very few firms with one or two subsidiaries abroad and extremely strong, united and determined unions (it might be tried at Renault or Volkswagen, for example). The obstacles mentioned before are there to stay, above all the unwillingness of employers "to play with the unions". I cannot see any reason why they should change their position, except under threat of legislation, as has happened in the Social Dialogue since the Treaty revision at Maastricht. But the social policy stream seems exhausted and the sectoral dialogue is a much more limited, even ritual affair, disconnected from legislation and hardly a platform for the formation of employers associations, let alone a stepping stone to collective bargaining. Although they have been upgraded within the *European Trade Union Confederation* since 1991 and become more involved in actual cross-border activities during the negotiations over the 300 odd voluntary European Works Councils which have come into existence in the past five years, the fourteen *European Industry Committees*, the sectoral liaisons between European unions, are weak and underresourced, and ridden with internal differences in organisation, policy, and ideology. The preconditions for centralisation of collective bargaining across national borders are not satisfied within the European union movement and it is hard to see how this might change without a much stronger "hierarchical ordering" of the national unions within the European Industry Committees which themselves would

have to many more resources and staff (Visser and Ebbinghaus 1997). Such a development is the more unlikely, since it sharply contrasts with the trends towards decentralised bargaining in most member states.

As in the national context, co-ordination between wage bargainers may be an alternative for centralisation (Soskice 1990). Multi-national co-ordination is feasible at various levels, within the structures of the *European Trade Union Confederation*, within sectors, and within the European Works Councils. The exchange of information in the collective bargaining network within the *European Trade Union Institute*, the proposals of the *European Metalworkers' Federation* (EMF), developed at its 8th Congress in Vienna in 1995 and developed further since (EMF 1996), as well as the interesting speculations of Marginson and Sisson, 1996, concerning the increased possibilities of “virtual” or “arms’ length bargaining” in the context of the European Works Councils, are examples of the “thickening network of cross-border activities” (Martin 1996) between unions and worker representatives. European trade unions must first learn to play alone - in other words, increase the level of information and co-ordination, discovering what they have and what they can in common - before they will be able to convince European employers to play along.

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DRAFT (Do not cite or quote)

**Co-ordination Networks, Collective Bargaining, and
Employee Consultation in European Multinationals**

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Main Research Question

The impact of internal and external coordination networks of European multinational enterprises on structures of collective bargaining and consultation with employees

Elaboration of Research Question

During the past decade a combination of common changes has occurred in the advanced market economies of Western Europe. These changes - e.g., the internationalisation of production and finance, the formation of a Single European Market for capital, labour, services and goods; the use of information

technology in production, communication and marketing; the restructuring of labour markets and widespread unemployment; the crisis of the welfare state and the revival of neo-liberal policies - challenge the major institutions and practices of industrial relations and social policies. The challenge concerns the trade unions in particular, because their power in the labour markets of Europe is being eroded, their contribution to macroeconomic management disputed, and their role in the regulation of employment relations in firms marginalized. Other cornerstones of the post-war model of industrial relations in Europe - centralised bargaining, sectoral collective agreements, national concertation, statutory minimum wages and job protection rules - are under threat.

The changes come from „above” (internationalisation, Europe integration, changing role of state and interest organisations) and from „below” (technology, changing work practices and management approaches, unemployment and worker diversity). Brown and Walsh (1994: 383) speak of a “remorseless advance of international competition, undermining institutions that are confined by the frontiers of single nations”. Locke, Kochan and Piore (1995: 138) see a fundamental transformation in western industrial relations “in response to the internationalisation of markets, technological innovation, and increased workforce diversity”. On the basis of a ten-country study they claim that “the individual enterprise has emerged as an increasingly important locus for strategy and decision-making on human resources and industrial relations (144).” Marginson and Sisson (1994, 1996) and Ferner and Edwards (1994) suggest that the advent of multinational and Euro-companies, their internal restructuring in business units and intensified cross-border transactions will have destructive consequences for national patterns of collective bargaining. Students of multinational enterprises, as well as business consultants, stress the growing importance of cross-border governance through regional (European) headquarters with a co-ordinated approach to financial and production information as well as resource usage (Dunning, 1993; Ohmae, 1990; Prahalad and Droz, 1987).

Recent comparative surveys of industrial relations and HRM policies in Europe have shown that there is considerable pressure to take decisions over conditions and terms of employment lower in the organisation; to increase the variability of both rules and outcomes of collective bargaining; to vary the status of employment contracts depending on the scarcity and worth of employees; to relate pay to performance and working hours to product demand (Baglioni and Crouch 1990; Brewster, 1993; Ferner and Hyman 1992; OECD 1992). The fact that all firms, under pressure of increased global competition, seek to reduce costs has added urgency to this “challenge of flexibility”. Decentralisation of collective bargaining, flexibility of employment relations and deregulation of labour markets have become common themes in the discourse of European industrial relations (Van Ruysseveldt and Visser 1996).

Compared to other world regions, European industrial relations have five unique features (Freeman 1994; Rogers and Streeck 1995; Teague and Grahl 1992; Traxler 1994; Visser 1996): a high level of collective organisation of employers, relative strong union influence over social policies; sectoral and multi-employer collective bargaining over wages and working hours; consultation structures between employers and workers’ representatives, both at the company and national level; and transnational co-operation, with a supra-national dimension, between European governments, unions and employers’ within the European Union. Together with the “acquis communautaire” of legal norms, decision making rules and public policies these features define the ‘social dimension’ of the European Union (CEC 1996).

However, contrary to the theoretical expectations of trade and political integration theories, national industrial relations systems, structures of representation, and social security policies did not converge (Crouch 1993; Esping-Andersen 1990; De Jong 1996; Leibfried and Pierson 1995; van Ruysseveldt and Visser 1996; Woolcock 1996). Indicators such as union and employer organisation, collective bargaining coverage and structure, industrial conflict, minimum wage legislation, workplace representation, or

corporate government show 'persistent diversity' (Crouch 1996) across the member states of the European Union.

It is commonly acknowledged that the growing interdependence between financial, product and labour markets has decreased the power of institutions, like states and unions, whose jurisdiction is delimited by geographically fixed borders (Eichengreen 1992; Dunning 1997; Ebbinghaus and Visser 1997). Moreover, Europe's diversity offers the prospect of deregulatory competition between states (Geelhoed 1997). One way in which this may happen has been analysed by Streeck (1996) who argues that in a fragmented system like the EU, in which capital is free to move across borders, member states are under a strong temptation to compete by lowering standards of environmental, consumer, health, employment and social protection in an attempt to remain attractive to capital. For this to happen companies need not actually move, but only credibly threaten to do so. States and unions may respond by increasing mutual co-operation and by seeking re-regulation at a higher, European union, for instance by agreeing on minimum standards of protection or procedure. However, such positive integration policies have to go through the needle's eye of the Council of Ministers, in which a single member state or, under qualified majority voting, a small group of states can prevent decisions to be taken (Bueno de Mesquita 1994; Scharpf 1988; 1995).

Yet, various proposals on social policies, announced under the non-binding 1989 Social Chapter and the following Action Program of the European Commission have been adopted (Addison and Siebert 1997). Some have been based on the Treaty, especially on individual rights (e.g. equal rights for men and women) and on health and safety in the workplace. After the widening of the application of qualified majority voting at the Intergovernmental Conference in Maastricht (1991), and under the new consultation procedures with the European Parliament and the European

social partners, a new dynamic of social policy has in fact occurred (Falkner 1996; Obradović 1995). The 'variable geometry' of the annexed Social Policy Agreement allowed to circumvent the veto of the United Kingdom. The directive on the approximation of laws of member states pertaining to collective redundancies, first adopted in 1975 and revised in 1992, has been adopted on the basis of the Treaty; the 1994 directive on European Works Councils or structures of information and consultation in community-scale undertakings on the basis of the Agreement. Currently, the European social partners negotiate a European-wide agreement on atypical work, on the basis of articles 4 and 5 of the Agreement, following the successful negotiation over parental leave in December 1995.

With these proposals, however, the 'stream of social policy legislation appears to have dried up' (EIRR 276, 20). Cases, such as the recent decision of Renault to close its plant in Vilvoorde, Belgium, shift the attention of workers, policy-makers and observers to the issue of implementation and, possibly, improvement of European and national social legislation. This may occur through collective bargaining, at the local (company), national (sectoral) or European (Social Dialogue) level, and through additional legislation at the national and/or European level. The weakness of European social legislation, its dependence on the co-operation of national administrations and social partners when it comes to implementation, Europe's variable geometry, especially in the social and labour policy domain, and subsidiarity leave scope for considerable variation in the actual application of social policies on the ground - in the establishments and companies where people work. *It is precisely this aspect - the implementation of European social policies in multinational companies - which we want to place in the centre of our research.*

The central question of our research programme is therefore:

How do European multinational companies in selected countries and sectors implement and influence European social policies through the choices they make concerning collective bargaining with trade unions and consultation with employees?

Further elaboration of the research problem

One important way by which ~~they~~ companies can influence social policy outcomes is by choosing to switch between bargaining partners (e.g., between unions, between unions and councils, or through union de-recognition) for all or some of their staff. They can also try to change the level at which bargaining or consultation takes place, for all or some issues covered by collective employment agreements. They can for instance decide to leave the sectoral agreement or even withdraw their affiliation with a sectoral employers federation~~s~~. Examples have been plentiful in the UK and have also occurred in recent years in Germany. Such decisions have far-reaching consequences, for trade unions (whose resources and chances of mobilisation are severely taxed by enterprise bargaining (Blanchflower and Freeman 1992; Jacobi 1995; Visser 1997a), for the production of (quasi-) public goods like training, low inflation or industrial peace (Soskice 1988; Streeck 1992; OECD 1997), for the delivery of mandated social policies (Marsden 1997), and for the European social dialogue (CEC 1997).

Various scholars expect multinational companies to switch from sector- to organisation-based industrial relations. This may actually happen at the level of separate business units or divisions (Brown and Walsh 1994; Edwards and Ferner 1996; Sisson and Marginson 1994). Students of multinational enterprises, as well as business consultants, stress the growing importance of cross-border governance through regional (European) headquarters with a co-ordinated approach to financial and production information as well as resource usage (Dunning, 1993; Ohmae, 1990; Prahalad and Droz, 1987). Decentralisation pressures, based on changing technologies and competitive strategies of firms in a global economy, tend also to work in the direction of

enterprise rather than industry bargaining, or no bargaining at all (ILO globalization and Industrial Relations Report, 1997).

Project A analyses such strategic choices - of multinational companies either staying within existing frameworks, or forcing a change in partners or levels of collective bargaining (for all or some establishments, employee groups, and issues). The proposed methodology of decision analysis for this project takes account of the strength and nature of the preferences of (chief negotiators of) companies and of their counterparts, as well as the existing power relations. This methodology has successfully been applied in an analysis of collective bargaining processes and outcomes in the Netherlands (Rojer 1996).

It is expected that the preferences of multinational companies and their actual choices with respect to collective bargaining frameworks depend on a) competitive firm strategies (Locke et al 1995), b) the level of (dis)satisfaction with existing frameworks and attending outcomes (Visser 1997b); c) the degree of transnational co-ordination of human resource management (Bartlett and Goshall 1989), d) the regulatory density in the 'country of origin', and e) in the 'host country', as manifested in the power of and relationships with external organisations such as sectoral, national and European employers associations, unions and public authorities. We expect that companies try to avoid contradictory expectations and constraints placed upon them in different networks (Burt 1992; Nohria 1992) We propose to research these variables in two further projects.

Project B researches the internal co-ordination of human resource management and the bridging of tensions between regulatory styles and actual conditions between 'origin' and 'host' countries within European multinational companies.

Project C examines the external 'web of affiliations' of multinational companies, primarily in the labour and social policy domain. Both projects

apply the methodology of modern network research (Wassermann and Faust 1993; Burt 1992; Knoke and Laumann 1988), but are combined with 'thick description' of company strategy (project B) and sectoral institutions and policy styles (project C).

Although presently little evidence can be found outside the United Kingdom for the demise of "the national sectoral agreement, multi-employer bargaining, nation-wide union recognition and legal or public policy supports of various kinds" (Visser, 1996, 41), several researchers warn for fundamental changes in the near future (Brown and Walsh 1992; Ferner and Edwards, 1994; Mahnkopf and Altvater, 1995; Marginson, 1992; Marginson, Perulli and Buitendam, 1993; Marginson and Sisson, 1994; 1996; Marsden, 1995; Purcell, 1992; Kochan et al., 1995; Streeck 1996). They predict a convergence of industrial relations in Europe, not primarily through the development of a European system of industrial relations, but through "coercive comparisons" and informal co-ordination between subsidiaries of MNEs, possibly facilitated by the EWC.

Marsden (1992) has persuasively argued that internationalisation undermines national institutional frameworks in two ways: MNEs, especially when strongly internationalised, may lose national identification with national (financial, product, labour) markets. When they are "no longer dependent upon the prosperity of their economies of origin (...) it is questionable whether they share the goals of national employers' associations and unions. Thus, one of the conditions favouring co-operation breaks down: that the parties can rely on a commonality of fate" (586). The second factor is related to centralisation of decision making which „removes many of the business decision centres from the reach of labour representatives so that those with whom they negotiate or with whom they participate in management are not in full control" (ibid). This undermined the reciprocal commitment and balance of power on which ongoing bargaining relations tend to be based (Walton and McKersie, 1965). The European Works Councils may fill some of this power vacuum.

Not only the European-level management of MNEs can co-ordinate social policies and working conditions through the EWC, employee representatives, local and central works councils and especially trade unions will have better information concerning pay and conditions elsewhere (which will be further enhanced, should the EMU and a single currency become reality). „Better information (...) heightens imitative pressures“ (Kogut et al, 1993, 70). This will enable negotiators on both sides to “introduce meaningful comparisons into bargaining and, in some cases, to extend concessions from one member state to another via forms of 'pattern bargaining'... The overall effect could be a growing convergence in the conditions of employment, if not necessarily pay levels, and the 'Europeanisation' of industrial relations more generally (Marginson and Sisson 1994: 45).” This may however go together with MNEs “pulling out” of national and sectoral collective bargaining.

The network perspective is particularly relevant for understanding MNEs. Dunning (1993) and Prahalad and Droz (1987) assert that multinational organising involves “a balancing act” between global vision and local demands, between achieving the benefits of cross-border integration (economy of scale and lower transaction costs through common governance) and those of the responsiveness of individual affiliates to national (local) capabilities and needs (economy of scope and flexibility). While this varies by country, sector and type of MNE, the trend is towards greater sharing of decision making among managers from different parts of the MNE, as well as a more lateral exchange of information and ideas which act as building blocks to a professionally managed “heterarchy” rather than a traditional multi-divisional hierarchy (Chandler 1990; Hedburg and Kogut 1992). In a very influential book, Bartlett and Ghoshal (1990) argue that the MNE itself is best regarded a controller of a network of interrelated activities. These activities may both be internal (within the MNE) and external (between the MNE and other organisations). They hypothesise that the extent and form of these link-ups will rest on the resource and capability configuration of the MNE, which in

turn will depend on the type of activities, sectors and countries in which they are engaged.

Taking the cue from the distinction between “ethnocentric”, “polycentric”, “regiocentric” and “geocentric” management styles and staffing policies in MNEs (Perlmutter, 1969; Chakravarthy and Perlmutter, 1985) and Porter’s (1987) polar ideal types of ‘multi-domestic’ and ‘global’ industries, Bartlett and Ghoshal (1989) describe four organisation models that appear to be the basic structures for MNEs: the multinational, global, international, and transnational companies. The structures differ in the way the organisational processes are controlled, responsibilities delegated, and decisions made. Following earlier studies by Robinson (1973) and Marginson (1992) we expect that these differences in control structures have large effects on the preferences of firms concerning national and transnational bargaining, and on the timing, arrangements, and implementation of the EWCs.

It may be expected that the European Works Council, of which in January 1997 300 had come into existence and a further 400 are currently being negotiated, can serve as a vehicle for cross-border exchange between employee-representatives and unions from different locations within European multinational companies (Marginson and Sisson 1997). This effect on ‘Europeanisation’ of union and employee-representation is probably more important than any immediate impact on decision-making in European multinational firms (Visser 1997). We want to test this proposition by looking, in **project D**, at a) the impact of European Works Councils on cross-border exchange of information and co-ordination between employee and union representatives, and b) the application of information and consultation procedures in the event of relocation decisions (as in the recent Renault case, referred to earlier). Project D, in other words, examines the implementation of the European works council directive in two areas (cross-border exchange between employee representatives and consultation over relocation decision,

the latter also as a way to study the implementation of the 1992 Directive on collective redundancies).

In project D we use the implementation analysis methodology which was successfully applied to the 'sociale vernieuwing' policy programme in the Netherlands - another context characterised by a multi-level and multi-actor setting as well as vaguely defined policy objectives (Toorenvlied 1996). In particular, we want to use information about the negotiation and content of article 6 or article 13 agreements for explaining the ways in which these agreements have been put into practice in the subsequent three years. The data on company strategy, regulatory variation and internal and external networks in projects B and C will be used as explanatory variables.

We summarise this brief description of our research programme by formulating the four empirical and theoretical questions which we want to answer:

1. *What choices do European multinational companies make with regard to collective bargaining relations with trade unions and the implementation of European social legislation concerning employee consultation?*
2. *How do the internal (within company) and external (web of affiliation) networks of these firms influence these choices, given a particular competitive strategy?.*
3. *To what extent can these choices with regard to bargaining and consultation be modelled and predicted on the basis of the proposed models for collective decision making and implementation?*
4. *How do the strategic choices of European multinational firms in selected sectors and countries influence the development of European industrial relations and the social dimension of Europe, in particular with regard to a)*

sectoral organisation of the social partners, b) cross-border exchange between employee and union representatives, and c) information and consultation practices over relocation decisions of firms?

Innovative aspects of the research program

The major innovative elements in this research program lie in the integration of substantive and methodological objectives. The proposed research program results in completely new insights in bargaining structures of Euro-MNE, obtained through a combination of research tools in a fully integrated design. This is particularly important for developing “strategic choice” theory in industrial relations and raise the level of explanatory and predictive theory in the field (Kochan et al, 1984; Walker, 1978). The shift from a comparison of nations and sectors to a systematic comparison of companies is another innovative step (see: Sisson and Marginson 1996, or Marginson, Perulli and Buitendam, 1993). The research design (see below) allows to take account of various levels of institutional constraints and potentials for collective action, the theoretical interpretation of which will become possible through the chosen network approach.