

# REPORT OF THE HIGH LEVEL GROUP ON INDUSTRIAL RELATIONS AND CHANGE IN THE EUROPEAN UNION

Employment & social affairs

Industrial relations and industrial change

**European Commission**  
Directorate-General for Employment and Social Affairs  
Unit EMPL/D.1

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Luxembourg: Office for Official Publications of the European Communities, 2002

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*Printed in Luxembourg*

PRINTED ON WHITE CHLORINE\_FREE PAPER

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## EXECUTIVE SUMMARY

Industrial relations can make an important contribution to good governance and push forward the European strategy, fostering modernisation based on a new social contract, exploring new ways to strengthen competitiveness with social cohesion, creating better prospects for employment and improving living and working conditions.

European societies are faced with several challenges - globalisation, enlargement of the Union, economic and monetary union, technological change and the transition to a knowledge-based economy, changing employment and labour markets, demographic change and new balances between family, work and education. These challenges are changing the role of, and the problems to be addressed by, the actors involved in industrial relations.

1. **A new agenda for industrial relations should be developed at all levels in order to cope with some key priorities:** competitiveness and innovation with social cohesion, wage responsiveness, social inclusion and social protection, training and life-long learning, working conditions and work organisation, new forms of employment, working time management, reconciliation of work and family life. **This new agenda for industrial relations should build on already emerging new practices such as innovation agreements, collective wage funds, employability agreements, time saving accounts for training and portability of social rights.**

Acknowledging the diversity of national patterns of industrial relations, the Group identifies some main trends: the renewal of sectoral bargaining, the decentralisation at enterprise level and local level, the role of national pacts to deal with strategic issues. The relationships between social dialogue and civil dialogue are also highlighted.

The EU level needs to focus on key areas where it can play a strategic role that will enhance the effectiveness and efficiency of the industrial relations process, foster social dialogue and encourage agreements at all levels. The role of industrial relations at European level has been highlighted by the need for both social partners and governments to address problems with European dimension. This has been the case with the European single market and the single currency and their implications for re-regulating labour markets. This need will increase further with globalisation, enlargement and with the new strategy adopted in Lisbon to create a more competitive knowledge economy which also promotes social inclusion.

Three critical issues must be addressed in order to improve the role of the European level of industrial relations:

- First, it is necessary to enhance its interaction with national and local level. On the one hand, national and local problems should be taken into account more in European discussions and, on the other hand, the European level can contribute to identifying strategic issues to be addressed at national and local levels. Diversity in Europe should be treated as an asset and the European level must take account of diverse forms of national practices

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- Second, the interaction between bipartite and tripartite processes at European level should also be encouraged by enhancing both processes. The more bipartite processes are enhanced the more they will become relevant for tripartite processes and vice-versa.
  - Third, the interaction between the sectoral and inter-professional levels should be recognised. European sectoral social dialogue is proving to be a good complement to the European cross-industry social dialogue because it is coping with many sectoral specific issues. Recognising the wide range of questions and instruments the sectoral level is dealing with, the Group considers that a mutual learning process should be encouraged between sectoral social dialogue committees, especially in the context of the enlargement.
2. The European social partners suggested in their joint Laeken Declaration, to rationalise and simplify the consultation and concertation process by concentrating it in a **new committee at the highest political level close to the Spring European Council**. The Group considers that such articulation is central as it gives social partners the possibility to discuss the interdependent policies of Lisbon strategy. It considers that the follow-up and the impact of this concertation should be clearly incorporated in the actions taken by the different parties involved.
  3. **Industrial relations at European level are already offering a very diversified toolbox**. The key to success lies in choosing the right instrument appropriate to the content and ensuring that the instrument chosen is relevant at each level. The Group welcomes the intention of the social partners to open a discussion on the elaboration of a **multi-annual work programme**, as pointed out in their joint Laeken Declaration.
  4. **The Group considers that social partners should explore new ways of negotiating agreements with interesting trade off for both sides**. They should, namely, make further use of the Treaty provisions and fully explore the possibility of entering into voluntary framework agreements to be implemented through their own national procedures.
  5. The Group invites the social partners to analyse in detail the limits of the current legal and institutional frameworks for the evolution of bipartite social dialogue. Within the context of the current discussions on the future of Europe and in particular of possible reforms of the institutional framework (Convention on the future of Europe and IGC 2004), **the social partners are invited to bring forward proposals for reform including, if appropriate, proposals to modify the Treaty**.
  6. The contribution from the social partners could be reinforced if they could develop **their own process adapted to the specificities of industrial relations**. Such a process could build on their own experience of the open method of co-ordination, exchange of experience, benchmarking, recommendations, joint opinions and negotiations.

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As a complement to these, a new instrument for industrial relations could be experimented, incorporating:

- a more effective procedure for exchange of experience and identification of best practice;
- an efficient procedure to identify recommendations which promote interesting trade-offs for both employers and employees. The elaboration of these recommendations should involve the social partners at both European and national levels;
- an efficient procedure to regularly report on the concrete outcomes related to these recommendations both at European and at national levels.

The development of an open method of co-ordination by the social partners as a new action tool raises the question of technical support to be provided to engage in a real benchmarking process.

7. **The Group considers that the EMCC will help to promote a network of national institutions that will follow-up best practices** and organise seminars and workshops and permit to build a better expertise of social partners' successes. **The Group considers that a special effort should be made to better train and inform actors, particularly at national level, on actions, methods and results of the European social dialogue and on industrial relations systems in different EU and candidate countries.** The European Union initiatives financed under the European Social Fund to promote innovation could be better used in this context.
8. **The Group considers that technical assistance should be provided at European level to help the social partners for developing new contents and new instruments for industrial relations. The question of the interaction between European and national levels is the weakest link of industrial relations today.** The Group encourages the Commission and the social partners to use the social dialogue budget lines (B3-4000 and B3-4002) to improve the interrelation and develop a comprehensive and integrated programme stimulating national discussions on Industrial relations developments.
9. The development of the European social dialogue raises the question of institutional and financial support. While recognizing the role of the Commission in promoting social dialogue, **the Group recommends that the social partners explore the possibility to create a joint (bipartite) Foundation, following their Laeken joint declaration in which they have, in particular, outlined their will of developing a common work programme.**
10. The quality of employment depends also on the activity of the social partners, i.e. on the quality of industrial relations. **Appropriate indicators could be developed to measure progress so as to promote quality in industrial relations.** The main factors to be taken into account could be, for example: to make possible socially sustainable economic growth, to prepare the transition to a knowledge-based economy, to foster employability, to promote the quality of employment, to develop a policy of active ageing, to facilitate life-long learning, to promote

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occupational and geographical mobility, to promote use of ways of preventing and/or settling labour disputes via non-judicial mechanisms, to develop participation of employees.

In general, all candidate countries are expected to use industrial relations and social dialogue in the coming years to manage more efficiently the changes brought by accession and, in certain countries, by the ongoing transition process. Developments in industrial relations and social dialogue are also necessary to meet the membership criteria per se.

The accession process to the EU itself can play an important role in encouraging candidate countries to adapt their industrial relations systems and practices. In addition, **the Group considers that for the candidate countries, it would be essential to deepen their co-operation with current Member States and their respective social partners with a view to address specific, concrete issues of common concerns through industrial relations.** The financial and technical resources for these special pre-accession joint endeavours should be allocated separately.

11. As importantly, **social dialogue and consultation at European level should be used as a vehicle to promote a successful enlargement, and as a tool to address the new challenges in the post enlargement years. Enlargement should be further mainstreamed into all levels of European social dialogue, and issues would be best discussed with the involvement of social partners from the candidate countries.**

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## I – INTRODUCTION

European societies are faced with several challenges - globalisation, enlargement of the Union, economic and monetary union, technological change and the transition to a knowledge-based economy, changing employment and labour markets, demographic change and new balances between family, work and education. These processes are changing the role of and the problems to be addressed by the actors involved in industrial relations.

Our task in the present report is to outline the ways in which the industrial relations actors but also governments, the Commission and other policy-makers can respond to the above challenges and play their role in change management through meaningful social dialogue, wider participation and improved partnerships.

A European strategy for economic and social modernisation has been recently defined in order to speed up the transition to a knowledge-based economy aimed at creating a more competitive economy with more and better jobs, social cohesion and sustainable development. This strategy, launched by the Lisbon European Council and enhanced by the Stockholm European Council, is pushed forward by a yearly Spring European Council. The Social Agenda adopted by the Nice European Council identified the priorities for renewing the European social model.

Meanwhile, Europe is also looking for ways to improve its governance, combine legitimacy with effectiveness and coherence with respect for diversity. The White Paper on European Governance recently prepared by the European Commission presents proposals for better involvement and more openness, better policies, regulation and delivery. A wider debate on institutional reform is already underway which should also take into account the role industrial relations can play in improving governance.

Industrial relations can make an important contribution to good governance and push forward this European strategy, fostering modernisation based on a new social contract, exploring new ways to strengthen competitiveness with social cohesion and creating better prospects for employment.

The role of industrial relations in managing change can be enhanced by renewing the content and the instruments available and by strengthening responsibility, responsiveness and representation. A new approach is emerging, based on new practices leading to higher quality industrial relations.

In this report, the term industrial relations is used in a broad sense, covering not only the relations between workers and management or between the organisations representing them, and involving not only the regulation of wages and employment conditions, but also the relevant legal and institutional frameworks and public policies. There is wide diversity in industrial relations practices and processes across Member States: actors, processes, policies and frameworks operate at different levels: local or regional, national, European, even global and sectoral social dialogue can take place at all these levels.

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This report intends to highlight the role of the industrial relations actors, processes, policies and frameworks having regard to industrial change and social renewal, with a special focus on the added value of the European (EU) level.

This report presents some concrete proposals addressed to policy-makers and social partners designed to facilitate the contribution and quality of industrial relations. Our approach is built on some preliminary considerations on governance and on the key strategic issues to be addressed by industrial relations.

The report is structured in six chapters. Following the Executive Summary and this Introduction, we survey the main challenges and issues for industrial relations in chapter two. This is followed, in chapter three, by an overview of the recent changes in the European agenda of industrial relations, supplemented with some examples of new practices. In chapter four we present a brief analysis of the trends in industrial relations at different levels (European, national, sectoral, regional or local). In that chapter we also address the issue of interaction between unions and employers on the one hand, and public policy-makers on the other. A special place is given to the role of industrial relations in the process of enlargement. Chapter five presents our ideas about the improvements of industrial relations at the European level and benchmarking its quality. Chapter six, finally, describes the working methods used by the Group, the new key challenges for industrial relations that it has identified and briefly outlines some of the key conclusions of the Report.

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## II – NEW CHALLENGES FOR INDUSTRIAL RELATIONS

### 1. Globalisation

Globalisation is opening up new business opportunities, which require a higher level of corporate responsiveness. On the other hand, through trade liberalisation, development of the internal market, financial deregulation and privatisation, a much wider range of economic activity is now exposed to intense competition. Restructuring processes and redundancies coexist with skill gaps. Globalisation presents new challenges to Europe's social legislation and protection and poses new questions as to the relevance of Europe's industrial relations systems. Enhancing competitiveness while preserving the European social model becomes a crucial issue for the EU in the global market place.

Globalisation impacts both on company policy and on labour markets, on the structure of representation of national unions and employers' federations, and on the regulatory power of national governments.

Existing regulations and standard collective agreements are being challenged by the combined pressures of flexible work organisation, costs, outsourcing and shareholder value, especially where regulations and agreements cover entire sectors or national economies in a standard way. This, in turn, creates pressures towards decentralisation in nearly all countries, accompanied by major strains and possibly a weakening of the regulatory power of employers organisations and trade unions at national level, and more limited space for autonomous social policy-making by governments.

Meeting the challenge of globalisation for industrial relations is complex—ranging from our solidarity with developing countries and our engagement with core labour standards and social values, to modernising our own social model, striking a new balance between competitiveness, employment and inclusion. In recent years, intensified international competition, within and across Europe's borders, has in many countries led to reforms of collective bargaining institutions and practices, sometimes through a process of highly centralised bargaining itself. A new balance – a kind of 'co-ordinated decentralisation' - based on multi-level framework bargaining and improved monitoring – has developed in many Member States, thereby creating more space for negotiated flexibility as an alternative to both standard solutions and deregulation.

### 2. Economic and Monetary Union

Industrial relations will play an increasingly important role at European macro-economic level. National systems of industrial relations have made an important contribution to macro-economic stability linked to the introduction of the single currency. Industrial relations will have to find a new role within the EMU given the shift of economic and monetary responsibility to the European level. Increasing disparities should be prevented and wage convergence should be based on catching up efforts and a sound process of convergence on productivity levels.

The single currency can also increase the demand for nominal wage flexibility in response to the need for alternative adjustment mechanisms when there is no longer a domestic monetary policy. This could arise from the risk of asymmetric shocks or that

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a common monetary policy could affect the various economies differently. If this were to happen the question arises as to what role industrial relations and, in particular wage-setting could play? Co-ordinated wage bargaining at the national level can promote wage flexibility or responsive wage setting, especially under a centralised (European-level) monetary policy.

In this context, macro-economic dialogue between the European institutions and the social partners can improve the co-ordination of macro-economic policies at European level.

### 3. The enlargement process

The impact on the EU of the enlargement process, already well on its way, is on a scale never experienced before. The outcome, the enlarged EU, eventually with 27 or more Member States and over 500 million people, will clearly differ from the current EU15.

Moving to the EU27 will increase the surface area of the Union by 34 %, the population by 28 % but GDP will rise by just 5 %. Consequently, GDP per head will fall by 18 %. The income gap between countries and regions will widen massively. If a Union of 27 existed today, over one-third of the population would live in countries with an income per head of less than 90 % of the EU27 average, compared to one-sixth in the present EU15. However, the dynamic impact of the enlargement process itself on these economies should not be underestimated.

For the candidate countries, the challenge is how to bridge the development gap with the EU average or at least with the less developed current Member States. The task is enormous: the real convergence of GDP, according to some research, may not take place for most candidate countries for at least ten to thirty years, even in the best case scenario with continuously higher growth rates than in the EU. Economic convergence in itself is not enough. It should be accompanied by progressive convergence in the social field. This decades-long catching-up process will be demanding, will require clear prioritisation and wise decision-making that balance economic and social goals as well as short and long-term priorities. This highly ambitious project cannot be realised without the full involvement and commitment of the social partners.

It is important to bear in mind that the enlargement itself is not a homogeneous one due primarily to the different history of the candidate countries.

The Central and Eastern European candidate countries are in a special situation, as they have recently gone through, or still are in the process of transformation from centrally-planned to market economies and from totalitarian regimes towards democracies. They have to face a “double challenge”. While still struggling with the process of transformation, they have to adopt and adapt to the Community acquis. These are parallel, overlapping, but still distinct processes. Accession to the EU is therefore very much influenced by the transition and vice versa. The preparation for EU membership, however, sometimes requires divergent if not conflicting measures with the economic transformation process (and again vice versa). This makes managing “the double challenge” rather complicated and politically risky. Industrial relations can be an effective means to reconcile these diverse demands and thus assist

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the transposition and implementation of the *acquis* while fully respecting the need to complete of the transition process.

The enlargement process will bring with it a wide range of industrial relations' legacies and cultures, most of which are significantly different from those of the current Member States. Consequently, the social partners of the enlarged EU will possess much more diverse industrial relations experience acquired in particular socio-economic and political contexts. Many new social partners will enter the European scene who may find it difficult to play their full role as they lack the necessary organisational and professional capacities.

Therefore, unlike the previous accessions, when new Member States more or less smoothly integrated into the European social dialogue structures and practices, the next waves of enlargement are likely to be accompanied by much stronger and more difficult interactions.

#### 4. Technological change and the knowledge economy

New technologies and the emergence of a knowledge society are key drivers of change in the EU. Europe's social and economic prosperity will be very dependent on its ability to develop and apply knowledge resources in support of its economic and social performance. In the future, the quality of Europe's workforce and its ability to exploit rapidly its knowledge resources will be critical to economic development. At the same time, the pace of adaptation of the workforce will be crucial to ensure that Europe is equipped to tackle the risks of digital exclusion.

New technologies are affecting the way business is done and is organised. This affects all sectors and all sizes of enterprises. A new corporate culture is already focusing on knowledge management, personnel development, participation and empowerment.

Such changes increase the pressure towards a decentralised approach to issues that were previously dealt with at a collective or central level (working conditions, job descriptions, or even training policies). However, this is being done in a fragmented way. It is thus critical that industrial relations structures and bargaining processes adapt to offer an appropriate framework to the emerging knowledge society.

These changes create the need to enhance the instruments and structures for industrial relations. In this context, a European learning process, understood as a mutual exchange of practices between the interested parties at European level, will be a key instrument to disseminate the wealth of knowledge and experience that the knowledge society is unleashing at all levels (global, national, regional, sectoral, company).

#### 5. Demographic trends

Demographic trends in the European Union are crucial both for the evolution of the labour market and for the sustainability of the European social model. Three main demographic developments need the attention of both the industrial relations actors and public policy-makers: ageing, the declining birth rate and immigration. In this paragraph, we discuss the issues relating to ageing.

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The increase in life expectancy combined with low birth rates has resulted in an ageing of the working population. This could slowdown the rate of economic growth, as well as the quality and financial sustainability of pension schemes and public health care in the Member States. However, this threat could be averted through higher rates of activity, offering more and better employment opportunities to older workers who now leave before retirement age or cannot find new jobs if dismissed. Fiscal measures and redesigned pension schemes to cover a longer life span could also contribute to countering this trend.

On the other hand, the ageing of the working population has resulted in an increase in older workers with a long employment history but who urgently need re-training. To remain employable, these workers need to update their skills on new technologies and organisation and working methods.

The ageing of the working population will also have the effect of increasing the need for new adapted forms of work organisation which take into account the specific needs of older workers in areas such as health and safety in the workplace and the reconciliation of working and family life. The integration of workers with disabilities needs to be a high priority for both social partners and public policy-makers.

A positive approach on active ageing should be developed, building on the accumulated experience of ageing workers. More efforts should be made to help older workers to stay in the workforce. Flexible retirement and combining part-time jobs with part-time pension entitlements could also be a way forward.

## 6. Changes in the labour market

The labour market is undergoing profound changes in all EU Member States. Companies are demanding a more flexible, skilled and specialised workforce with the ability to adapt to change. On the other hand, employees are demanding more participation, choice and flexibility in relation to the organisation of working life. In some segments of the labour market, greater mobility may be combined with greater empowerment and commitment in the workplace. But this is not the case in many segments of the labour market.

Traditional lifelong careers are being replaced by shorter and more varied employment contracts. Often, working careers are punctuated by breaks for training, personal development or for family reasons. The increasing fragmentation and segmentation of the workforce is being driven by cost pressures and by the changing needs of companies for more specialised skills, but it also reflects the social needs of an increasingly individualised workforce and the increased participation of women. Working life can no longer be considered simply as a traditional linear process with the trajectory set by skills and qualifications acquired at school and university.

Industrial relations can play a key-role in defining better conditions of security for these transitions over the life-cycle between employment, unemployment, training, family life and retirement.

At the same time, tensions are increasing on the labour market as skill gaps are evident and demand is growing for workers who are capable of taking on more

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creative and responsible tasks. While such workers will be more empowered than their predecessors in the workplace and show greater commitment to their tasks, they will also be expected to be more mobile and less attached to a specific job or workplace. Enhanced training, education and personal development will be essential if workers are to be equipped to participate fully in the labour market of the future.

On the other hand, segmentation and specialisation of the labour market carries with it the risk of increasing inequalities and widening social exclusion. In recent times, there has been an increase in temporary work and non-standard employment contracts. Finding ways to reconcile this increased flexibility with greater security and to prevent the entrapment of workers in a succession of marginal or precarious jobs should be a priority issue on the agenda of the social partners and legislators. Education and training are essential to maintain the employability levels of workers and avoid such exclusion traps. The development of European labour markets should further promote labour mobility in the knowledge society<sup>1</sup>.

On a larger scale, these developments highlight that the traditional post-war compromise (approximately 1950-1975) between labour and management appears to be losing ground. A new compromise with new content should be envisaged. In the post-war compromise, progress productivity was based on automatism and work rationalisation. Now it is based more on informatics, knowledge management and personnel training and the sharing of productivity gains is converted into higher real wages and shorter working time, which increase the final demand. Productivity gains are also used to support investment in training and working time management emerges as a critical variable both for employers and employees.

## **7. Conclusion: a variety of interrelated challenges leading to key priorities**

These key challenges lead to the identification of a new set of priorities for industrial relations in Europe. The Group considers that this is the starting point for defining a renewed European agenda for higher quality industrial relations.

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<sup>1</sup> Report of the High level task force on skills and mobility (14.12.2001)

KEY ISSUES	PRIORITIES FOR IR <sup>2</sup> CONTENT	NEW PRACTICES IN IR
Globalisation	Competitiveness and innovation	<ul style="list-style-type: none"> <li>• European sectoral social dialogue</li> <li>• European works councils</li> <li>• Innovation agreements</li> <li>• National Pacts</li> </ul>
Economic and Monetary Union	Wage responsiveness Social protection	<ul style="list-style-type: none"> <li>• Concession bargaining</li> <li>• Wage coordination</li> <li>• Collective wage funds</li> <li>• Wage insurance</li> <li>• Flexible retirement</li> <li>• New forms of financial participation</li> </ul>
Knowledge economy	Social inclusion Lifelong learning	<ul style="list-style-type: none"> <li>• Activated social benefits (training-employment)</li> <li>• Decoupling of social rights</li> </ul>
Demography (ageing)	Training for older workers Improved pensions provisions Health and safety	<ul style="list-style-type: none"> <li>• Employability agreements</li> <li>• Personal development</li> <li>• Sabbaticals and training leaves</li> <li>• Saving accounts for training</li> <li>• Flexible retirement</li> </ul>
Labour market changes	Working conditions Work organisation New forms of employment Working time management Reconciliation of family-working life	<ul style="list-style-type: none"> <li>• Team working</li> <li>• Portability of social rights</li> <li>• Time saving accounts</li> <li>• Parental leave developments</li> </ul>
Enlargement	Catching up process Transition of the acquis Economic and Social cohesion	<ul style="list-style-type: none"> <li>• Economic and social cohesion</li> <li>• Accession process</li> </ul>

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### III – RENEWING THE EUROPEAN AGENDA OF INDUSTRIAL RELATIONS

In the context of unprecedented internal and external challenges (as described in the previous Chapter), a new agenda for industrial relations should be developed at all levels. The EU level needs to focus on key areas where it can play a strategic role that will enhance the effectiveness and efficiency of the industrial relations process, foster social dialogue and encourage agreements at all levels.

Such a qualitative change in the approach and content of industrial relations will facilitate the definition of new balances between companies and workers that combine the flexibility needed by the companies with the security required by the workers. A process of change aimed at enhancing quality will require new securities that will be needed to face these new risks, in order to strengthen competitiveness with social cohesion.

At the same time, the enlargement process will require a strategic and transparent European agenda, which will help to manage the process of adaptation in the candidate countries.

The priorities identified in the previous section for renewing the content of industrial relations in Europe, are already being addressed by a wide range of new practices at different levels. In the following sections, we refer to some new practices in industrial relations and in relation to those, which are less well known, we provide a brief explanatory note.

#### 1. General framework to enhance competitiveness and innovation with social cohesion

Industrial relations can offer a favourable framework for enhancing competitiveness and social cohesion within the new context defined by globalisation, technological change and enlargement.

The European level can provide a dynamic and coherent element for all other levels.

##### Examples of new practices in industrial relations

- Innovation agreements
- National pacts
- European Works Council
- European sectoral social dialogue

##### *Innovation Agreements*

The term 'innovation agreement' refers to an agreement negotiated between the social partners when introducing technological change and innovative proposals in the organisation of work enhancing the competitiveness of the company and improving working conditions at the same time.

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## 2. Responsive development in wages

In view of rapid change, uncertainty and economic shocks, it is important that wages and other production costs and enterprise policies can adjust efficiently and rapidly – both upwards and downwards. This is not only a matter of wage-setting practices that reflect changing conditions and circumstances in product and labour markets, productivity developments and profits. The co-ordination and involvement of social partners in the overall macroeconomic dialogue, reliable economic forecasting and disclosure of information by companies are other key elements required to support responsive wage-setting.

Wage responsiveness is a central area where the EU level of industrial relations has a key role to play to ensure efficient and far reaching exchange of best practices.

### *Examples of new practices in industrial relations*

- Wage coordination in cross border regions
- Collective wage funds
- Concession bargaining
- Wage insurance
- Financial participation

- Collective wage funds

'Collective wage funds' are created for a certain purpose from the wage package of the company by a joint-agreement between the social partners.

- Concession bargaining

The term concession bargaining refers to negotiation between the social partners, which are targeted to freeze or to reduce wage costs and at the same time guarantee employment on a certain level and for a limited period of time.

- Wage insurance

The term wage insurance refers to a system, which guarantees payment of wages to workers who have been dismissed or who have lost their jobs.

## 3. Life long learning and competence building

Occupational mobility is higher in a post-industrial society, as new occupations replace the older ones much faster. Employees need to be equipped with the necessary new skills and competencies if they want to reap the benefits of new economic and business models. This is also necessary to reach a sufficient level of security. The European level is particularly well placed to enhance the possibilities for life-long learning and competence building.

In this new context, all actors should have responsibilities. Building on a wide-range of experience in the Member States, life-long learning can be further fostered by defining more precisely how to share this investment between companies, workers and public authorities according to each specific situation. Some skills are directly related to company competitiveness. Other skills relate to basic education or retraining and to offering permanent opportunities in the employment market.

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### Examples of new practices in industrial relations

- Personal development plans
- Employability agreements
- Sabbatical and training leave
- Saving accounts for training and education

#### • *Personal development plans*

Personal development involves activities to achieve the person's full potential within the context of the organisation.

#### • *Employability agreements*

'Employability agreement' is negotiated between the social partners concerning preservation or development of competencies of the staff in order to keep them employable for example in a situation of organisational change.

#### • *Saving accounts for training and education*

Saving accounts for training and education means individual or collective arrangements, which gathers money for training and education.

## 4. New forms of employment and working time

New forms of employment and working time management are emerging over the life cycle. These developments call for new deals between flexibility and security. However, both employers and employees face these challenges within national frameworks, which are in many cases poorly adapted or inadequate. The EU level can facilitate new trade-offs where new national arrangements will be based on European-wide principles, offering a workable balance between flexibility and security.

Flexicurity (flexibility and security) can be defined as a distinct policy and strategy used by industrial relations actors to enhance the flexibility of labour markets, work organisation and employment relations, while improving security of work and protection of workers and, in particular, to weak groups in and outside the firm or labour market. Flexicurity agreements can be developed at all levels of bargaining, within enterprises, local labour markets, sectoral and national policies, and at the European level. They always involve an element of co-regulation, setting targets that are open to monitoring and critical review.

### Examples of new practices in industrial relations

- Working time arrangements (jobsharing, etc.)
- Portability of social rights

#### *Portability of social rights*

In industrial relations terms, portability refers to agreements between the social partners on transferring certain rights of workers from one company to another one.

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## 5. Gender and labour market

One of the most striking changes in the European labour market over the last 25 years is the increased participation in the workforce of women of all ages. In spite of substantial progress on the legislative front, there are still significant problems in relation to the gap in earnings, occupational segregation and the fact that women are still mainly concentrated in lower-paid and lower-skilled jobs. This increased participation of women has also highlighted the challenge of reconciling work and family and the impact on fertility of the failure to address this issue.

We believe that industrial relations has a key role to play in addressing all of these issues and that much more can be done through collective bargaining and social dialogue to address these issues. This failure is partly linked to the low level of representation of women at policy and discussion-making levels in trade unions and employers' organisations as well as in public policy institutions.

The changing world of work, new work organisation and new technologies impact on the boundaries between family and working life. Professional life impinges increasingly on personal and family life. At the same time, there is a growing demand from workers for better opportunities to switch between different situations – from active life to family or personal breaks – while preserving a sufficient level of security.

The EU level can play a strategic role to promote these new trade-offs which facilitate these transitions that are at the heart of this societal transformation.

### Examples of new practices in industrial relations

- Different forms of parental and family leave
- Working time arrangements
- Time-saving accounts
- Positive action and equal opportunities
- Sexual harassment

#### Time-saving accounts

Time saving accounts describe an arrangement, which allows a person to save time (for example overtime, holiday) into special time saving accounts in order to use that time later.

## 6. Social protection and social inclusion

Economic, technological and social developments may widen the gap between those who adapt quickly and those who are particularly vulnerable to change. Increased immigration is a contribution to our European labour market growth but also a risk for more discrimination. New forms can add to older forms of social exclusion increasing the risk of polarisation. Information technologies bring with them the new risk of a digital divide. Industrial relations can play a key role in reducing these risks and particularly in turning the risk of digital divide into digital opportunity.

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Industrial relations can also play an important role in modernising social protection and enhancing social inclusion by co-operating with the public authorities in promoting activated social benefits, supporting active ageing and flexible retirement, raising the level of protection by introducing supplementary occupational pensions and providing new forms of social protection to cope with new risks.

#### Examples of new practices in industrial relations

- Activated social benefits
- Decoupling of social rights
- Supplementary occupational pensions
- Hours worked equivalent to social protection rights
- Flexible retirement
- Active ageing

##### • Activated social benefits

Activated social benefits are linked with activation policies, which comprise a range of public measures intended to improve beneficiaries' prospects of finding gainful employment, job-skills of the labour force, and the functioning of the labour market.

##### • Decoupling of social rights

Decoupling of social rights means separating social rights from the employment relationship and linking them to citizenship.

##### • Flexible retirement

Flexible retirement refers to arrangements that introduced (either by legislation or collective agreements) retirement schemes according to employees' needs, within the context of active ageing strategies and the economic and corporate restructuring developments.

## 7. Better working conditions and work organisation

Promoting competitive and sustainable growth, combined with higher levels of employment and better quality jobs is the main challenge for Europe. How work is organised to achieve this is highly relevant to the industrial relations agenda. Many changes in work organisation lead to increased work intensity and stress. New approaches to work organisation and health and safety are obviously needed to save companies and jobs, as well as to enhance employees well-being and employability.

Thus, better health and safety, human-friendly technologies, better work organisation and improved learning and participation opportunities should remain important priorities. Moreover, the development of a knowledge-based economy should aim at improving living and working conditions for all in the European Union. The EU level of industrial relations can play a decisive role to ensure that the process of managing change in Europe results in enhancing working conditions and up-grading employment opportunities. More involvement from the social partners to support human friendly forms of work organisation is needed. Systems where employees and management are encouraged to learn and develop – to collaborate and participate for the good of business development and their own benefit should be fostered.

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A learning process at EU level is essential to identify the best practices that deliver better working conditions and better opportunities.

*Examples of new practices in industrial relations*

- New forms of work organisation (learning organisations, project team work)
- Human friendly technologies

## 8. Catching-up process for candidate countries

While most of the issues discussed so far, will be taken on board by both the current Member States and the candidate countries, their relative importance, given the different points of departure, will be likely to differ even in the longer run. The impact of globalisation, for example, can already be felt in most candidate countries, and social partners have started to develop their responses. Similarly, flexibility, especially in working time, has become a major subject of collective bargaining. On the other hand, the issues of gender equality or life-long learning have not yet attracted the attention of the social partners in the candidate countries.

The enlargement process will, at the same time, add further specific issues to the agenda of industrial relations, both inside the EU and in each of the candidate countries.

At the European level, the key issue will be how to promote economic and social cohesion across the enlarged Union. This will bring a new dimension to the agenda of industrial relations. Social partners will have a crucial role to play consistent with their own responsibilities in closing the economic and social gaps. Establishing new EU standards through European agreements and/or legislation is certainly one of the possibilities to be considered. All possible forms of increased co-operation and co-ordination between social partners across the enlarged Europe could contribute to decreasing disparities while preserving valuable diversity. Collaboration is especially important at sectoral level, with a view to the industrial restructuring processes still ahead in certain sectors and the increasing presence of European companies in candidate countries.

In candidate countries, the industrial relations agenda will be dominated for a long time by the catching-up process. The related dilemmas are far-reaching and difficult to answer: how to achieve rapid economic growth, which is socially sustainable in the long term?

The transition to a market economy in the candidate countries has been accompanied by deteriorating living standards for many groups, and by rising income inequalities. Moreover, social inequality is likely to continue, as the losers in the accession process are likely to be, according to the experts, in the same social groups as those of the transition: Social partners could play an important role in this area, if they promote, through the industrial relations process, the economic and social integration of those groups facing the greatest risk of exclusion. Catching-up process which achieves social inclusion is the ultimate goal for candidate countries.

Increased consultation at national level and/or tripartite concertation could be very appropriate to promote the catching-up process in candidate countries. In addition,

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collective bargaining at sectoral and decentralised levels could also make a significant contribution. Productivity bargaining, flexibility agreements covering working time and/or forms of employment, schemes to promote occupational and geographical mobility, transitional forms of employment etc. could all contribute to meeting the economic and social objectives.

The cornerstone of the preparation for EU membership in the pre-accession period is the transposition and the gradual implementation of the *acquis*. Social dialogue and consultation could offer effective means for transposing the Community legislation as well as for bringing the adopted *acquis* into practical effect. We believe that the quality of the incorporated Community legislation is better as well as its implementation on the ground is wider if the social partners directly affected are involved in the process. Social partners in many Member States are regularly consulted and thus associated with the legislative work. Unfortunately, this has so far not been the case in all candidate countries. Certain Community directives, for example, can be transposed and implemented by means of collective agreements between social partners. This option has not yet been used by candidate countries.

Some governments in candidate countries have already experienced the valuable involvement of social partners in the preparation process and in the accession process in general, and certainly many more will involve the social partners in the future. Social partners should take this opportunity to show that they can find effective and fair solutions to sharing both the positive and negative effects of joining the EU. This requires that the accession process becomes part of the industrial relations agenda, and its various aspects are addressed at the appropriate levels, from national level to company level.

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## IV – INDUSTRIAL RELATIONS AND GOVERNANCE

Industrial relations can make an important contribution to good governance, defined as the way a society organises and rules itself in order to make and to implement choices.

A multi-level system of governance is emerging in Europe and industrial relations actors are themselves developing a new multi-level system for conducting their own affairs. This affects both the internal processes in employers' federations and unions at the local, sectoral, national and European level, and in the bargaining relations between them. The emergence of this new system poses new questions: what is the role and added value of each level? What is the interaction between the different levels? How can the European level be made more relevant? How can public policy help?

Industrial relations contribute to governance in the following ways:

- the relationship between the different levels (European, national, local, enterprise), taking into account the distinction between sectoral and cross-industry industrial relations;
- the relationship between bipartite and tripartite processes;
- the relationship between different procedures (consultation, concertation, collective bargaining, etc.) and instruments (agreements, guidelines, etc.).

Bipartite processes are at the heart of industrial relations, relying on social partners' initiative, autonomy and responsibility. On the other hand, the interplay between bipartite processes (collective bargaining and social dialogue) and tripartite processes (consultation, concertation, pacts) offers new possibilities that need to be explored and reinforced. This interplay is however different at the different levels of industrial relations (enterprise, local, sectoral, national and European).

The role of European level industrial relations will have to be better clarified and justified in relation to its contribution and relevance at the different levels. The success of the European level will depend on its ability to ensure an appropriate connection and good interaction with the relevant levels. Still, the 'appropriate level' depends on the issue to be dealt with and can change over time.

While acknowledging a wide diversity in national practices, the Group identifies, in this Chapter, some emerging as well as predominant trends in industrial relations.

### 1. Collective bargaining and social dialogue: the importance of the bipartite process

In this report we want to emphasise the enduring importance of collective bargaining as a rule-making process based on joint decision-making between independent organisations (firms, employers associations, unions or union federations) with partly overlapping membership. Collective bargaining is an important regulatory institution of employment relations in democratic market economies and is seen as 'the royal way' of determining wages, working hours and the employment conditions of

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workers. Through their joint authorship of the rules, negotiating parties accept joint responsibility for the implementation and renewal of rules always taking into account of the need for further social cohesion as well as competitiveness of European enterprises.

The most important function of collective bargaining, closely related to the promotion of 'the rule of law' in employment relations, is the reduction of uncertainty, which confronts both employees and management. For employees, collective bargaining serves the triple functions of protection, voice, and sharing in the fruits of training, technology, and productivity. For management, the most important functions are related to conflict resolution, the enhancement of legitimacy of managerial prerogatives, and planning. Good collective bargaining combines distributive and integrative aspects, creating the conditions for change and 'win-win' solutions for both management and employees. Thus, collective bargaining appears as an increasingly important instrument for co-regulation by social partners.

Furthermore, collective bargaining can work better when embedded in a process of social dialogue. Social dialogue can be defined as a process, in which actors inform each other of their intentions and capacities, elaborate information provided to them, and clarify and explain their assumptions and expectations. This is not the same as bargaining, but provides a setting for more efficient bargaining by helping to separate the digestion of facts, problems and possible solutions from negotiating feasible courses of action and the distribution of costs and benefits.

## 2. The enterprise level

Even if the sectoral level is dominant in many Member States, many forces are at work today which promote decentralised bargaining at the level of the firm or enterprise. As it is based on long-run trends in international competition, technological and organisational change, individualisation and diversity in labour markets, we expect this trend to continue in the years ahead. We want to stress, however, that this common trend does not imply that all countries or sectors will move in the same direction or at the same speed. Nor does it mean that collective bargaining patterns will converge. This trend is more visible in sectors where big companies are predominant, whereas in sectors with many small and medium-sized enterprises, multi-employer bargaining tends to remain dominant. There has been a shift towards more flexibility with more options at company level, for both employers and employees. One important factor is the reorganisation of working life: standardised tasks and hierarchical "tayloristic" organisations seem increasingly to have been replaced by multi-tasking and flatter structures allowing greater decentralisation of decision-making within firms. In general, decentralised bargaining makes it possible for individual firms to find the pay levels, pay systems, working-time arrangements, training schemes, and other productivity-enhancing measures, which are most suited to the industrial relations specific conditions. This is likely to be more important the more heterogeneous firms become. The trend towards decentralised bargaining may also have to do with the devolution of operational and financial responsibility to quasi-autonomous business units within large corporations. This is made easier the more cost components – including wage rates – are under the direct control of management. Cross-industry mergers create additional difficulties in managing the firm's employees under the same sectoral collective agreement.

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Even if decentralisation occurs as a response to preferences of employers, it need not necessarily be contrary to the interests of employees. Decentralised collective bargaining can facilitate adaptability to local labour demand and supply conditions, which may be a benefit to everyone. Sometimes the goals of employers may coincide with bargaining arrangements and sharing rules that also work in favour of labour, for example where union involvement actually leads to an increase in productivity. Enterprise or workplace bargaining and individual choice in collective agreements may also give individual workers more choice over their working hours, holidays, leave arrangements, and better reflect differences in preferences for leisure or income within a more heterogeneous workforce.

However, we do recognise that some of the effects of the current decentralisation process are uncertain and controversial. We also want to emphasise that it makes proper structures of representation, consultation and information at workplace and enterprise levels even more important. Another issue relates to the investment in collective goods such as vocational training, industrial research and industrial peace, the provision of which may be undermined by excessive competition in a decentralised environment.

Against this background, the process of decentralisation cannot be conducted properly without co-ordination. One paradox of industrial relations is that a certain degree of co-ordination is necessary to ensure that decentralisation is efficient. Thus appropriate levels of collective security and strategic trade-offs at the sectoral, national or European level will be key to successful enterprise level bargaining in the future.

The European Works Councils (EWCs) may play an important role in this context. Although the EWCs usually have formal rights concerning information and consultation only, they represent networks of employees' representatives across borders, where local representatives are likely to meet on a regular basis. This may provide a basis for dialogue and co-ordination of bargaining. Rather than collective agreements encompassing production units in different countries within multinational firms or other more formal types of bargaining co-ordination, we may witness the development of common norms on pay-setting within these firms, perhaps with some production units, or countries, acting as pattern setters for the rest.

Finally, corporate social responsibility is evolving. Some companies are integrating social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations but also going beyond compliance and investing more in human capital, environment and relations with stakeholders.

Corporate social responsibility can contribute to enriching social dialogue bringing out new preoccupations (environment, health, fundamental rights. New tools (codes of conduct, socially responsible Investment, etc.) are also emerging in this field.

### 3. The sectoral level

Sectoral bargaining has been the dominant method of wage setting in most countries in Western Europe since the 1940s. Sectoral bargaining is still the prevailing pattern in many EU Member States today, though it is rare that all bargaining occurs at one

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level only. Instead, most bargaining systems are characterised by multi-level negotiations.

Centralised bargaining is subject to considerable stress: diverse factors such as technological innovation, globalisation of the world economy, financial openness and more diverse labour markets have increased pressure on employers and unions to conclude wage agreements which are consistent with local labour market conditions. After some difficulties, the sectoral social dialogue has now been relaunched. The task ahead is to modernise collective bargaining institutions and practices, carving out a proper role for each level, while avoiding duplication, institutional rigidity, and overly formalised procedures.

Traditionally, the benefit of sectoral wage bargaining has been that they have provided a level playing field for employers by preventing undercutting through lower wages by domestic competitors. Short of government regulation, it may create the basis for a 'high quality' strategy with joint employer investment in training, research and a 'good' industrial climate. Complete decentralisation is vulnerable to the under-provision of these collective goods, which are vital to long term growth. The challenge for employers seems to be to combine the two - some co-ordination at higher levels to ensure long-term investment in quality, and sufficient flexibility on the ground.

#### 4. Public policy and interaction with the industrial relations actors: a new approach to tripartism

Social concertation engages the actors in a process of 'deliberation', which has the potential to shape and reshape both their identity and preferences. Participants are obliged to explain, give reasons and take responsibility for their decisions and strategies to each other, to their rank and file, and to the general public. They must deliberate a wider range of policy issues and take into consideration more alternative policy options. Probably, the most interesting property of concertation lies in the possibility that interest organisations such as trade unions and employers associations redefine the content of their self-interested strategies in a 'public regarding' way. They must be prepared to assume a wider responsibility that goes far beyond the partial interests that are usually expressed through collective bargaining. The Irish Social Pact, for instance, highlights that 'participation and inclusion' have become goals in themselves; the Dutch accord of 1993 explicitly places the policies of employers and unions in the context of an 'activating labour market policy'.

This new approach to tripartism is being developed at local, national and European level.

#### 5. The local level

The local dimension of development, competitiveness and job creation is increasingly important. New rules on governance call for a wider involvement of local actors, including the social partners at local level. We believe that local actors are willing and able to play a more important role.

Restructuring processes, innovation networks, protection of the environment and changing work and life conditions, such as time management or reconciliation of

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family/working life call for a decisive partnership with local authorities. In such situations, industrial relations need to build on the capacity of local authorities to provide transport, care services or other facilities so that integrated solutions may be effectively implemented.

On the other hand, new processes such as the European Employment Strategy and those underlying the Lisbon strategy show that new partnerships between industrial relations actors and local authorities are essential to deliver results at the local level. These partnerships can, in particular, lead to employment pacts at local level.

## 6. The national level

In several countries, decentralising tendencies in collective bargaining have been counteracted by attempts at more informal coordination at the national level through the development of consensual norms and guidelines. In particular, in the final years leading up to the introduction of the single currency, these attempts often took the form of national social pacts. Sometimes such agreements involved the government as a third party, sometimes they have been bipartite but concluded under pressure from, or with the assistance of governments.

In some countries, such as Ireland, the national social pacts have succeeded in building strong and wide partnerships, gathering public authorities, social partners and civil society organisations. These pacts have shown their capacity to foster collaboration between various actors and to expand the remit of industrial relations. Such pacts have also succeeded in establishing broad guidelines and common objectives, thus facilitating collective bargaining at different levels.

National pacts, where they exist, usually have a high political profile and relevance that has enabled them to mobilise directly and actively many actors at different levels (regional, local, enterprise).

The strength of incentives to conclude social pacts, and to promote co-ordinated bargaining in general, will in part depend on how future uncertainty is evaluated against past experience. If cyclical developments turn out to diverge among the Euro countries, and if fiscal policy proves to be an insufficient stabilisation policy tool in that situation, then it is likely that responsive and responsible wage-setting – which anticipates and allows quicker and better synchronised responses to negative shocks - may come to be seen as a necessary means of stabilising our economies and achieving higher levels of employment.

Most of these national social pacts have broader scope than the traditional issues of collective bargaining, encompassing tax policy, social security policy or education policy. “Second-generation pacts” seem now to be emerging dealing, not only with economic and monetary union, but also with globalisation of markets, the information society, demographic ageing, working time flexibility and career breaks.

## 7. The European level

European industrial relations have evolved rapidly in recent years. From the “Val Duchesse” meetings (mid-1980's) to the most recent negotiations under article 138 of

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the Treaty of Amsterdam, the European social partners have shown their willingness and capacity to become key actors and decision makers at EU level. Cross-industry and sectoral social dialogue have already provided very useful outcomes in the form of framework agreements, joint opinions, voluntary agreements, and exchange of best practices. Accordingly, the European level of industrial relations has acquired an important role and has given rise to significant political expectations.

In this context, the European level now appears to be particularly well placed to offer significant added value by addressing the common strategic issues identified in Chapter II, and facilitating national arrangements adapted to each Member State.

The EU level must make sure that its strategic role is fully grasped and exploited at national level and that national debates and discussions take into account the EU dimension. In particular, the EU strategic dimension should be addressed in national social pacts, where they exist, to ensure a sufficient level of consistency between the different national approaches.

Furthermore, the transition to a knowledge-based economy will be based on a process of mutual learning with a view to introducing new forms of organising and managing companies, associations, markets and ultimately society as a whole.

The European level should be the facilitator for the efficient exchange of best practices from national, local and enterprise experiences. This will promote benchmarking and mutual learning, and can also enhance the relevance of negotiations between social partners at European level.

The interaction between the European and the national level of industrial relations should be strengthened. More concrete proposals are presented in Chapter V.

## 8. The actors

The traditional industrial relations actors, trade unions and employers' associations, remain the key actors, together with public authorities. The specificity of social partners is based on their legitimacy to negotiate and to implement agreements. This is the foundation of bipartite processes and is also crucial for tripartite processes. The autonomy of the social partners is at the heart of industrial relations and social dialogue. The involvement of management and labour in social (tripartite) concertation as well as consultation is also very important as recently confirmed in the Laeken Declaration.

Nevertheless, some issues such as the reconciliation of work and family life or social inclusion require more interactions between the traditional social partners and new civil society actors engaged in innovative civil dialogue. It will also be important for industrial relations to address new issues such as immigration, non-discrimination and ageing. In this regard, social partners are being asked to enlarge their approach and methods to better co-operate with civil society organisations. In particular, this may lead to new forms of concertation, within a civil dialogue, where those new actors could be involved. This should be complemented by giving the social partners an increased role in networks where social issues are discussed and debated.

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On the other hand, individual corporations are acquiring an increasingly important role as industrial relations actors, given the trend towards decentralisation and the emergence of a new corporate culture based on social responsibility. Without prejudice to the importance of collective instruments, this should be regarded as an opportunity to enrich and to raise the stakes for social dialogue.

These changes will require all the actors involved in industrial relations to adopt a forward-looking approach. At the same time, accountability and responsibility will be regarded as important elements for participation in industrial relations. In addition, the ability to contribute to coherent policies in an effective and efficient manner will be important. Against this background, issues such as resources, capacity building and organisational change will become more important.

## 9. Structural adaptation in the candidate countries

Accession to the EU will place industrial relations and governance in a new context in the candidate countries, particularly in terms of a new interdependence between European and domestic issues. Candidate countries, therefore, have to reconsider their industrial relations systems and to assess the current role and performance of the various instruments of industrial relations. The key questions to be addressed are: how to redefine the place of national industrial relations as part of governance and how to adjust their industrial relations systems in order to make them more responsive and effective in this new environment?

The answers to these questions will certainly be different in each of the candidate countries depending on the industrial relations traditions, the philosophy underlying the regulatory policy options and the aspirations and strengths of all the relevant players. However, it is reasonable to assume that all countries will assign a more prominent role to industrial relations than before. While doing so, many of the considerations discussed in previous chapters will be equally relevant for candidate countries, although again, they have to take up some additional issues.

In relation to collective bargaining, the major concern for candidate countries will be to (re)introduce this regulatory method and to apply it as widely as possible. The current coverage ratio (estimated average of 25-30 % in candidate countries of Central and Eastern Europe) is far from reassuring in economic and social terms and indicates both the under-utilisation of the social partners' regulatory potential and the still prevailing dominance of the state through legislation. Some governments in candidate countries have not yet fully recognised the added value of industrial relations in addressing labour market issues and thus do not provide enough room for collective bargaining.

As well as reconsidering the legislative framework, special efforts are needed to eliminate current shortcomings in collective bargaining. In most candidate countries, collective bargaining is very weak at the main intermediary levels (sectoral and regional), entire economic sectors and categories of workers are not covered by collective bargaining, the content of agreements is rather limited and innovative initiatives are rare. A balanced mix of national, sectoral, regional, local and workplace collective bargaining is needed. Some candidate countries will consider moves towards more decentralisation, while some others are likely to go in the opposite

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direction in order to complete their multi-level bargaining systems.

Organisations of social partners need to be strengthened in all candidate countries and this should be addressed in the pre-accession period. Moreover, in certain countries the immediate task is even more basic: to get the social partners properly organised. We stress that strong, autonomous, democratic and well-structured social partners are vital for economic and social progress. Therefore, we fully support the Joint contribution of the social partners to the Laeken European Summit, that highlights the urgent need to foster the development of trade unions and employer organisations in candidate countries. Social partners should be assisted to develop their full capacity to meet the double challenge they face which, on the one hand, is to play their domestic roles effectively and on the other hand to prepare for their new obligations in the new Europe. Considerable development of the social partners is necessary to ensure that industrial relations function effectively at both European and national levels.

Candidate countries have a strong basis to build on as regards social partners' involvement in broader public policy formulation. Consultation at national level as well as concertation have gained a strong foothold over the past decade and proved to be suitable instruments to address the challenges of the transformation process while ensuring a certain degree of social peace. Tripartite co-operation on several occasions led to genuine tripartite national agreements covering a wide range of issues. However, it has often been limited to the exchange of information or remained a rather formal exercise hiding the dominance of the state. Even in the latter cases, some sort of partnership, mutual respect and common understanding have developed that could serve as a starting point for tripartite institutions to really work.

So far, no national pact has been signed in a candidate country that focuses on the accession process. The reasons for this are not yet systematically explored but the weakness of social partners as well as the tendency of governments to monopolise accession-related activities certainly have been major factors. Should conditions change for the better, social pacts could be a suitable instrument to manage the catching-up process during which candidate countries are expected to find new balances based on wide consensus between fiscal, economic, social and employment policies.

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## V – IMPROVING THE ROLE OF INDUSTRIAL RELATIONS IN THE EUROPEAN UNION

The role of industrial relations at local, regional or national level (which can be either sectoral or inter-professional) can be enhanced by developments at European level.

Many issues can be tackled at national or local level, but the European dimension of industrial relations has been highlighted by the need for both social partners and governments to address problems with a European dimension. This has been the case with the European single market and the single currency and their implications for re-regulating labour markets. This need will increase further with globalisation, enlargement and with the new strategy adopted in Lisbon towards a more competitive knowledge economy with social inclusion. This proactive response to globalisation cannot succeed without the strong involvement of social partners at all levels.

Issues such as mobility, reconciliation of family and working life, active ageing, adaptability and life-long learning for employability already have a strong European dimension (see Chapter III). Still, answers must be found which are adapted to the national and local level. Industrial relations can also enhance the quality of policy making at European level at the formulation, implementation and assessment stages.

Three critical issues must be addressed in order to improve the role of the European level of industrial relations:

- First, it is necessary to enhance its interaction with national and local level. On the one hand, national and local problems should be taken into account more in European discussions and, on the other hand, the European level can contribute to identifying strategic issues to be addressed at national and local levels;
- Second, the interaction between bipartite and tripartite processes at European level should also be encouraged by enhancing both processes. The more bipartite processes are enhanced the more they will become relevant for tripartite processes and vice-versa.
- Third, the interaction between the sectoral and inter-professional levels should be recognised.

European industrial relations have developed a large number of instruments and structures. It is necessary to find the best balance between all the different instruments so as to increase the political involvement and participation of social partners at all levels and to allow them to take full ownership of the process.

In addition, the question of the appropriateness of the instruments could be addressed once more as the full potential of social dialogue has still to unfold, particularly in the candidate countries where the social partners are still poorly involved in the enlargement process itself.

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Nevertheless it is necessary to give incentives to social partners and to increase their motivation to participate in the European social dialogue. It is necessary to make available to the European organisations enhanced instruments so that they can demonstrate to their members the added value of European social dialogue.

Social partners want to be more involved in those decisions where they consider that they have an important role to play in relation to both formulation and implementation. They want to make sure that fundamental decisions and discussions, which affect them, are not taken without their involvement, particularly at EU level.

An enhanced political role for the social partners would increase the legitimacy and visibility of social dialogue both at the European and national level. In particular, the possibility for open and direct exchange with Council representatives on a regular basis would enhance the relevance of European social dialogue. It could provide an important additional incentive for national social partners to actively participate in European social dialogue.

This enhanced political role would be facilitated by better coordination between Presidencies on the consultative agenda for the social partners. In turn, Member States should increase the profile and preparation for meetings and consultation with the social partners.

In addition, the European level structures for social dialogue, such as the European Social Dialogue Committee, should take greater account of the national dimension and should make all necessary efforts to increase their political relevance to the national level.

Against this background, the following proposals are put forward for consideration aimed at enhancing the interaction of industrial relations at the different levels, both in relation to processes and instruments.

## 1. Enhancing the industrial relations processes at European level

### Tripartite processes:

Europe has a strong tradition of closely associating the social partners with the decision-making process.

In recent years, the number of areas of possible partnership have been extended considerably as follows :

- The European Employment Strategy offers new and important ground for concerted action as it calls for active involvement by the social partners on the modernisation of the labour market.
- The EMU gave substance to the macroeconomic dialogue with the representatives of the ECB, the Commission and Ecofin and Labour Ministers.
- The new areas of cooperation at European level on social exclusion and pensions call for an intensification of the consultation on social policy.

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The European social partners suggested in their joint “Laeken declaration”, to rationalise and simplify the consultation and concertation process by concentrating it in a new committee at the highest political level close to the Spring European Council.

The Group considers that such articulation is central as it gives to the social partners the possibility to discuss the interdependent policies of Lisbon strategy. It considers that the follow-up and the impact of this concertation should be clearly incorporated in the actions taken by the different parties involved.

**At European level, in bipartite processes:**

The vitality and expectations from bipartite social dialogue are strongly stimulated by the deepening of European integration.

The European social dialogue has to respond more and more to questions linked to the transnational dimension of many policies and practices. Mobility of the workers and citizens, of goods and services and of capital raise a number of new issues which much be addressed such as the transferability of rights, equivalence of competencies and qualifications, equal treatment and transparency.

This evolution is particularly pronounced at sectoral level, which constitutes the core level for industrial relations in most Member states and is still emerging at European level. The European sectoral social dialogue is proving to be a good complement to the European cross-industry social dialogue because it is coping with many sectoral specific issues.

Recognizing the wide range of questions and instruments the sectoral level is dealing with, the Group considers that a mutual learning process should be encouraged between sectoral social dialogue committees, especially in the context of the enlargement.

The company level tends to become a relevant level of dialogue and negotiation with more scope for participation and adaptation to the concrete problems of each company.

The Works Councils in Community-scale undertakings also provide an important opportunity to enrich social dialogue in more concrete terms, speeding up the exchange of best practices and the convergence of basic standards across Community-scale enterprises. The Group supports the networking initiatives – using information technologies – with the view to diffuse a culture of better employee participation in Europe.

At territorial level, especially in cross border regions, a new social dialogue could emerge based on employment areas and mobility related issues.

## **2. Reinforcing the instruments of industrial relations at European level**

A broad range of industrial relations instruments have been developed to support bipartite or tripartite processes at national or European level. Bipartite processes encompass bilateral social dialogue and bargaining and tripartite processes encompass consultation and concertation with the European Institutions.

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As explained above, tripartite processes can provide useful strategic information to all actors and they can lead to effective partnerships for action. They are also useful for improving public policies and facilitating agreements between social partners.

But it is also very important to enhance bilateral processes, promoting the initiative and responsibility of the social partners themselves. New approaches on regulation underline the merits of co-regulation, without undermining the role and responsibilities of public authorities.

New approaches on regulation also underline the fact that regulation can be based not only on a normative approach leading to binding rules (legal provisions or social agreements), but also on a learning process based on guidelines and benchmarks designed to improve actual behaviour. It is critical to strike the right balance between these two approaches.

This new approach is reflected in some public policies, which are combining legal provisions with qualitative guidelines connected to follow-up indicators. At European level, the open method of co-ordination as defined at the Lisbon European Summit is now being applied to various policy areas such as the information society, research, education, employment, social inclusion and pensions. This method is based on the provision of European guidelines that are adapted in more precise and concrete terms to define national strategies or national action plans taking account of national diversity.

This means that social partners could also take the initiative to define in their own sphere of influence and action guidelines or recommendations in the framework of bipartite processes. This new combination of framework agreements and recommendations can enrich bipartite processes at all levels and enhance the role of social partners in tripartite processes.

Industrial relations at European level are already offering a very diversified toolbox. The key to success with this new regulatory approach lies in choosing the right instrument appropriate to the content and ensuring that the instrument chosen is relevant at each level. The Group welcomes the intention of the social partners to open a discussion on the elaboration of a pluri-annual work programme, as pointed out in their joint 'Laeken Declaration'.

Industrial relations are confronted with a multi-level system of governance where the interaction between the different levels is crucial. Thus, it is not sufficient to choose the right instrument having regard to content, but it must also respond to the needs of the interplay between the different levels. The potential of the existing and emerging instruments must be assessed against this background.

#### ***a. Negotiation of agreements***

With the development of new, complex, integrated economic and social systems, the Group underlines the essential role of negotiated agreements, as an appropriate modality for modernising working relations arrangements.

Negotiations between the social partners are a key and a powerful modality of action at European level. The EU social partners are in a position to identify key areas where

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it can offer interesting trade off to their members. Such trade off can take the form of contractual relationships negotiated on the basis of articles 138 and 139 of the Treaty.

On a number of occasions, such negotiations have led to European legislation. However, they have not always been successful (as was the case in relation to the question of temporary agency work) and they have always been in response to the Commission's initiative.

The Group considers that social partners should explore new ways of negotiating agreements with interesting trade off for both sides. They should namely to make further use of the Treaty provisions and fully explore the possibility of entering into voluntary framework agreements to be implemented through their own national procedures.

The group invites the social partners to analyse into details the limits presented by the current legal and institutional frameworks for the evolution of bipartite social dialogue. Within the context of the current discussions on the future of Europe and in particular possible reform of the institutional framework (Convention on the future of Europe and IGC 2004), the social partners are invited to bring forward proposals for reform, including if appropriate, proposals to modify the Treaty.

The Group draws attention to the difficult challenge of the effective implementation of European wide agreements and on the necessity to address the issue of the quality of implementation of directives and negotiated agreements.

#### ***b. Recommendations and Joint Opinions***

Social partners have a long tradition of issuing recommendations and joint-opinions. Ever since the Val Duchesse process was launched, the social partners have developed joint-recommendations and opinions covering various areas. These opinions and recommendations, very often of very high quality, have made a valuable contribution to the evolution of European social policy.

Yet, the impact of these joint recommendations and opinions at national level seems to have been disappointing. They are very rarely taken on board at national level despite the fact that they could contribute to a better understanding of the European dimension of many national issues.

We encourage the social partners to develop adequate follow-up and implementation mechanisms that would have allowed them to assess the impact of these joint- recommendations and opinions.

#### ***c. Exchange of experience and benchmarking***

The transition to a knowledge-based economy will be based on a process of mutual learning with a view to introducing new forms of organising and managing companies, associations, organisations and ultimately society as a whole.

The European level is best placed to ensure an efficient exchange of best practices and build on the experience of all actors across the European Union. A new approach

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to industrial relations in Europe should enhance the learning process led by the interested actors to improve the management of change.

The European level should be the facilitator for national, local and enterprise experiences in order to fully integrate the best practices of all relevant actors. This will increase benchmarking and mutual learning, while disseminating experience across the European Union.

The European social partners have already shown that they are ready and willing to engage in this type of exercise. The compendium of best practice on employment (2000) is a good example of this.

However, this learning process could be reinforced and rendered more visible. It is critical that the information flows are improved and that all-available instruments, including the existing Monitoring Centres, are used more efficiently.

In addition, it must be noted that the enlargement process could benefit enormously from this mutual learning process. The learning process will be essential to facilitate change and adaptation in candidate countries and adaptation of the EU to them through mutual learning and extension of best practices. It is essential for the social partners from the candidate countries. Yearly report on best practices should be prepared in order to start this learning process.

#### ***d. A new instrument for industrial relations***

During the last decade, the European Union initiated a number of different processes (Cologne, Cardiff, and Luxembourg) and new methods of action (such as the open-method of co-ordination). These processes and methods of action call for the active participation of social partners and in some cases, the social partners are invited to take the lead role as under the Adaptability Pillar of the Luxembourg process. There is scope to improve the quality of their participation in these different processes.

However, the social partners consider that their specific characteristics are not sufficiently taken into account in these processes. The different processes are conducted by the governments of the Member States and the European institutions. The social partners are expected to contribute within a legal and political framework, which has been designed for the Member States.

The contribution from the social partners could be reinforced if they could develop their own process adapted to the specificities of industrial relations. Such a process could build on their own experience of the open-method of coordination, exchange of experience, benchmarking, recommendations, joint opinions and negotiations.

As a complement to these other instruments, a new instrument for industrial relations could be developed, with a special reference to quality, incorporating:

- a more effective procedure for exchange of experience and identification of best practices;
- an efficient procedure to identify recommendations which promote interesting

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trade-offs for both employers and employees (see Chapter III). The elaboration of these recommendations should involve the social partners at both European and national levels;

- an efficient procedure to regularly report on the concrete outcomes related to these recommendations both at European and at national levels.

The autonomy of the social partners must be respected. The involvement of the social partners in this process should be on a voluntary basis. Strong interaction between the European and national levels should also be a key principle of this process. The group also recommends that social partners of candidate countries be invited to participate in this process, which requires that additional means are provided.

Finally, social partners should ensure that these new processes are efficiently coordinated with other existing European processes and that synergies are built between them. This is particularly important in relation to the European employment strategy. This procedure may be used particularly to promote employment guidelines on quality of work.

The Commission and the other EU institutions should invest in their technical role, ensuring that actors (not just the European organisations, but those in Member States as well, including relevant NGOs) have information available to them about promising practices and supporting institutions or methods in the different countries. Diversity in Europe should be treated as an asset (a natural laboratory for policy experimentation) rather than as an obstacle to integration.

### 3. Benchmarking the quality of industrial relations

The conclusions reached in the previous paragraph imply that the quality of employment depends also on the role and activities of the social partners i.e. on the quality of industrial relations.

We believe that a benchmarking approach to industrial relations is worth exploring. In that context, we suggest developing appropriate indicators to measure and assess the quality of industrial relations. Building on the relevant employment guidelines of the Luxembourg process, the following criteria could be used to measure the quality of industrial relations:

- 1) the contribution made to social cohesion, competitiveness and socially sustainable economic growth;
- 2) the extent to which full employment is an overarching objective while ensuring, at the same time, fair and decent terms and conditions of employment for all workers;
- 3) the creation of quality employment by fostering the employability and the modernisation of the regulatory framework in line with the changing organisation of work;
- 4) the promotion of active ageing with the aim of enhancing the capacity of and the incentives for older workers to remain in the labour force;

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- 5) the facilitation of better access for all workers, including those with a-typical contracts, to lifelong-learning thereby increasing the proportion of the adult working-age population participating at any given time in education and training;
  - 6) a contribution to preventing skills shortages, including by promoting occupational and geographical mobility;
  - 7) effective preventive and active policy measures to promote the integration into the labour market of groups and individuals at risk or with a disadvantage, in order to avoid marginalisation, the emergence of 'working poor' and a drift into exclusion;
  - 8) appropriate measures to integrate into the labour market, workers with disabilities, ethnic minorities and migrant workers as regards their integration into the labour market;
  - 9) better application at workplace level of health and safety legislation, and more training and promoting measures for the reduction of occupational accidents and diseases (in traditionally high risks sectors);
  - 10) the mainstreaming of gender;
  - 11) highly-representative social partners, i.e. partners able to represent most employers and employees, either through direct membership or via other channels (e.g. support in industrial action);
  - 12) a wide coverage of collective bargaining, which includes all forms of a-typical employment;
  - 13) improving ways of preventing and/or settling labour disputes, via non-judicial mechanisms, such as mediation, conciliation and arbitration in both collective and individual cases;
  - 14) the level of participation of employees in decision-making, including financial participation thereby enhancing the productivity of the workforce.

Needless to say, there is a need to develop comparable indicators to make it possible to assess the implementation and the impact of the above mentioned qualitative criteria, and to further elaborate on the targets, in order to facilitate the identification and exchange of the best practices. The social partners are invited to develop appropriate indicators, benchmarks and supporting statistical databases to measure progress in the actions for which they are responsible.

#### 4. Taking full advantage of a set of means

- a. Managing change in a socially responsible way is a key challenge for Europe. Both sides of industry have a responsibility. They are both partners and actors in the process of change. The newly created European Monitoring Centre on

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Change (EMCC) will help the European social partners, particularly at sectoral level, to get the necessary information and analysis for their dialogue.

The Group considers that the EMCC will help to promote a network of national institutions that will follow-up best practices and organise seminars and workshops (that can be used to increase awareness and training of national social partners) and permit to build better understanding of social partners' successes.

- b. The development of a European industrial relations dimension raises the question of better training and capacity of mutual understanding in a domain characterised by a huge diversity. The Group considers that a special effort should be made to better train and inform the actors, particularly at national level, about actions, methods and results of the European social dialogue. The European Union initiatives financed under the European Social Fund to promote innovation could be better used in this context.

Taking into account the challenges faced by the social partners in candidate countries in developing sound industrial relation systems, the group considers that a technical and financial support should be provided to support the related wide-ranging activities.

The Dublin Foundation can contribute to develop awareness raising and training activities directed to the social partners.

- c. The Group considers that more technical assistance should be provided at European level to help the social partners for developing new contents and new instruments for industrial relations.

More particularly, the development of an open method of co-ordination by the social partners as a new action tool raises the question of the technical support to be provided to engage a real benchmarking process.

At European level, important resources are available for organising efficient benchmarking between the Member States. A similar effort is required on the part of the Commission to improve the capacity of the social partners to participate in the analysis of national actions and cross assessment.

- d. While industrial relations are embedded in national systems and cultures, they are becoming an area of common interest at European level. Research and information exchange based on credible indicators become more important in this context. The Group welcomes and encourages research and publications with a view to improve and disseminate knowledge in this domain. It calls for a strengthening of statistical materials on industrial relations available at European level.
- e. The question of the interaction between European and national levels is the weakest link of industrial relations today. The Group encourages the Commission and the social partners to use the social dialogue budget lines (B3-4000 and B3-4002) to improve this interrelation and develop a

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comprehensive and integrated programme aimed at stimulating national discussions on Industrial relations developments.

- f. The development of the European social dialogue raises the question of institutional and financial support. While recognising the role of the Commission in promoting the social dialogue, we recommend that the social partners explore the possibility to establish a joint (bipartite) Foundation. Its tasks could include the development of the work programme as mentioned in the Laeken declaration, the preparation of negotiations and the supervision of the implementation of agreements.

## 5. A comprehensive approach for Enlargement

In general, all candidate countries are expected to use industrial relations and social dialogue in the coming years to manage more efficiently the changes brought by accession and, in certain countries, by the still ongoing transition process. Developments in industrial relations and social dialogue are also necessary to meet the membership criteria per se. Candidate countries are not, however, alone in these efforts. European social partners have already assisted their counterparts in the applicant countries. The European Commission has also provided considerable support at political level, by emphasising in the negotiation process that social dialogue is an essential element of the Community acquis, and ii) at a more pragmatic level, through providing technical and financial assistance to establish solid industrial relations and social dialogue structures.

The accession process to the EU itself can play an important role in encouraging candidate countries to adapt their industrial relations systems and practices. For example:

- the European social dialogue, especially the far-reaching competence and empowerment of social partners granted to them by the Treaty to influence and regulate social matters, can encourage social dialogue at national level;
- the future possibility of being involved in European sectoral social dialogue could give an impetus to the national sectoral social dialogue and bargaining, and as a precondition, to the consolidation of sectoral social partners;
- the negotiation of the acquis communautaire with governments of candidate countries could facilitate social concertation and/or comprehensive tripartite consultation;
- the transposition of the European Works Council directive could stimulate the establishment of similar bodies for worker participation in companies not covered by the directive;
- the adoption of existent labour law, health and safety, and equal opportunity directives could directly promote workplace industrial relations and social dialogue, as they provide for the information and consultation of workers, and their involvement in the implementation process.

The group considers that for the candidate countries it would be essential to deepen their cooperation with current Member States and their respective social partners with a view to address specific, concrete issues of common concerns through industrial relations.

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This transnational, direct co-operation could include:

- exchange of information and experience in various spheres of social partners' actions, including institutional-building
- exchange of best practices, bearing in mind that "best practices" could significantly differ in the various institutional, political and socio-economic circumstances
- establishing and/or improving instruments of comparison (databases, clearing houses, comparative regular surveys, etc.) in the field of industrial relations to get a clear and reliable picture about the state of affairs across the enlarged EU
- consultation on policies related to national industrial relations.

This cooperation could be seen as a special pre-accession joint endeavour of the current and future Member States. It would not only improve industrial relations and social dialogue in the candidate countries, but also facilitate the smooth integration of these countries into the European social dialogue, and in to the EU in general.

The financial and technical resources which will be necessary for the special "transitional" arrangements should be allocated separately.

As importantly, social dialogue and consultation at European level should be used as a vehicle to promote a successful enlargement, and as a tool to address the new challenges in the post enlargement years. Enlargement should be further mainstreamed into all levels of European social dialogue, and issues would be best discussed with the involvement of social partners from the candidate countries.

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## VI – CONCLUSIONS

The terms of reference of this High Level Group was focussed on the role of industrial relations in managing change in the new global context. Special attention should be given to the implications of a knowledge-based economy and of enlargement.

First of all we have identified the new key challenges for industrial relations: globalisation, Economic and Monetary Union, the enlargement process, technological change, demographic trends and changes in the labour market.

Building on the existing new practices to cope with these challenges we have elaborated on the possible contents for a new agenda of industrial relations, which can be developed at European, national and local levels.

The European level of industrial relations is being enhanced by the need to address problems with European dimension. Economic and monetary union, labour market regulation, labour mobility, European social policies and, more recently, a broader economic and social strategy defined in Lisbon.

Our final chapter made a special effort to highlight how industrial relations at European level can improve the management of change: by rationalising consultation and concertation procedures creating a single Committee at the highest political level; by developing bipartite social dialogue making full use of a wide range of instruments on the basis of a joint work programme; by enhancing sectoral social dialogue as a powerful device to address more specific problems and exchange best practices; by providing new means to underpin social dialogue which are particularly necessary in candidate countries.

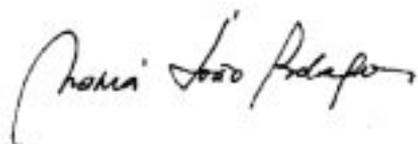
Some specific proposals were addressed to both social partners and policy makers, as they are the main protagonists. Since the beginning, we envisaged one of our main roles as facilitating the ongoing debate carried out by these main protagonists.

That is why we organised a rich exchange of views with them during all stages of our work. Special hearings with social partners, experts, policy-makers and other actors of civil society, a process of written consultation as well as a large work on the available documentation and specialised bibliography gave us important inputs for thought. Special thanks should be addressed to the Dublin Foundation on working conditions, which assisted us in a wide research on best practices.

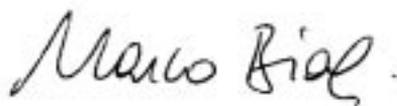
Nevertheless, the responsibility of this report remains only with the Group. Throughout an intensive debate based on some personal background papers and their own experience, the Group was able to achieve a consensual overview on a very complex and quite controversial matter. This was possible thanks to our strong commitment to present a constructive view to industrial relations and understand each other across our differences in national background, fields of expertise and professional roles.

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We end this report by expressing our hope that this report can encourage fruitful debate and action concerning industrial relations and change in the European Union.



*Maria João Rodrigues (Chairwoman)*



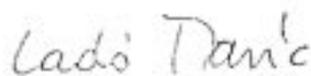
*Marco Biagi*



*Jean Gandois*



*Renate Hornung-Draus*



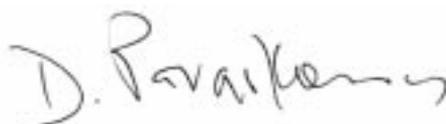
*Maria Lado*



*Patricia O'Donovan*



*Inger Ohlsson*



*Dimitri Paraskevas*



*Jelle Visser*



*José María Zufiaur*

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## ANNEX 1

### TERMS OF REFERENCE OF THE HIGH LEVEL GROUP ON THE FUTURE OF INDUSTRIAL RELATIONS

#### I. THE POLITICAL CONTEXT

In March 2000, European Heads of State and Government meeting in Lisbon committed themselves to work towards a new strategic goal for the EU in the next decade: "to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion".

The successful achievement of this strategic goal calls for a positive and dynamic interaction of economic, employment and social policy and to forge a political agreement which mobilises all key actors to work jointly towards this new strategic goal.

On June 28th 2000, the Commission presented its Communication on the Social Policy Agenda. The Social Policy Agenda was the Commission's strategic response to modernise the European Social model and to translate political commitments made in Lisbon into concrete action.

Building on the Commission's Communication, the Nice Summit adopted the European Social Agenda in December 2001. The Social Agenda defines, for the next 5 years, the specific priorities and actions that must be undertaken at EU level to reinforce the European social model. This Agenda constitutes a major step towards the modernisation of the European social model, which is characterised by the indissoluble link between economic performance and social progress.

#### II. INDUSTRIAL RELATIONS AND MANAGING CHANGE

The Social Agenda adopted at the Nice Summit highlights the importance of industrial relations for the successful completion of the Lisbon strategic goal. Social partners are called upon to play a leading role in the process of managing change and adapting to a new working environment.

However, the process of managing change at EU level must necessarily be conducted in such a way that it further increases the quality of industrial relations within a changing economic and social context.

Thus, quality of industrial relations constitutes an indispensable element for the successful completion of the Social Agenda objectives.

To reinforce this process, the Commission already announced in its Communication on the Social Policy Agenda the creation of a High Level Group that would reflect on the challenges ahead for industrial relations with a view to enhance their quality.

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### III. MANDATE

The task for the High Level Group will be to propose recommendations addressed to European policy makers and to the European social partners aimed at modernising industrial relations and at enhancing their positive contribution to the process of managing change.

The driving force of the mandate for the High Level Group will be the notion of quality in industrial relations.

The High Level Group will assess the opportunities and challenges for industrial relations in the current changing environment together with their prospective evolution in order to identify the key factors of success in managing change and enhancing quality.

In this context, the High Level Group will propose its recommendations in connection with the following questions:

- a. What will be the role for industrial relations in a changing knowledge-based economy and what new or renewed partnerships will be required to manage change successfully, given the emergence of new forms of governance.
- b. What will be the scope and content of industrial relations in a knowledge-based economy. What will be the priorities and new topics that will have to be addressed with a view to enhance quality of industrial relations and their positive contribution to managing change.
- c. What structures and procedures will best contribute to the quality of industrial relations in a knowledge-based economy and how can such structures and procedures be efficiently implemented at European level.

Furthermore, the High Level Group will fully integrate the enlargement dimension to its mandate. The High Level Group will assess the contribution and influence of industrial relations to the process of managing change in accession countries and will make specific recommendations aimed at facilitating the enlargement process.

Finally, the High Level Group will recommend specific indicators that would facilitate the follow-up and the evaluation of the modernisation of industrial relations and their successful contribution to managing change.

### IV. PROPOSED APPROACH

Without prejudice of the High Level Group's autonomy to establish its methodology, the High Level Group shall build a strong expertise and knowledge about best practices, innovative experiences and benchmarking examples, implemented by companies, trade unions, works council, NGOs or any other organisation or institutions at any level (EU,national, local, enterprise) which may be considered as relevant.

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To this end, the High Level Group shall conduct auditions, interviews and/or to launch questionnaires, surveys, Internet chats or promote Interest groups. The High Level Group may obtain additional knowledge and support through existing studies and reports or through specific studies launched at the High Level Group's initiative.

A compendium of the collected best practices and examples may be annexed to the final report.

## V. REPORTING AND FINAL OUTPUT

The High Level Group will deliver an Interim Report to the Commission by the end of the summer 2001. The High Level Group shall finalise its work and deliver its final report by January 2002.

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## ANNEX 2

### COMPOSITION OF THE HIGH LEVEL GROUP

- **Maria João Rodrigues (Chairwoman)**

Ms Rodrigues is special adviser to the Portuguese Prime Minister, in charge of coordinating economic and social affairs. During the Portuguese Presidency, she was Co-ordinator of the action line of the Portuguese Presidency " Employment, economic reforms and social cohesion – towards a Europe based on innovation and knowledge" and of the Lisbon European Council (2000). She has also been a member of the High Level Group on the Economic and Social Implications of Industrial Change in 1998 (Gyllenhammar Group).

- **Marco Biagi**

Italian lawyer, active in the industrial relations field and active University professor in the University of Bologna. Mr Biagi has held a large number of appointments as special adviser on industrial relations and employment for the Italian Government, the ILO and the European Commission. He is currently advising ILO on labour law issues in Central and Eastern European countries.

- **Jean Gandois**

Mr Gandois is the Chairman of the Supervisory Board of the French company Suez Lyonnaise des Eaux. From 1987-1999, he was president of CNPF (Nat. Council of French Employers). He is member of the board of Directors of: Danone, Eurafrance, Société Générale de Belgique (Belgium), Air Liquide España (Spain) and Air Liquide Italia (Italy). He is also a member of the Supervisory Board of Vallourec, Akzo Nobel (Nederland), Rodamco Continental Europe (Nederland) and Siemens (Germany).

- **Renate Hornung-Draus**

Ms Hornung-Draus is Director of European and International Affairs of the BDA (Confederation of German employers). She is a member of the Social Dialogue Committee, Vice-President of UNICE's Social Affairs Committee and a member of the Social and Economic Committee (Vice-President of the Employers' Group).

- **Maria Lado**

Hungarian national, she is a senior researcher and sociologist. She works for the Hungarian Ministry of Economic Affairs as the leader of the Inter-Ministerial working Group on Social policy (which is responsible for the accession affairs of Hungary in the social policy field). Currently, she is also a senior advisor to the Employment Office in Budapest.

- **Patricia O'Donovan**

Irish trade unionist, she was Assistant General Secretary of ICTU from 1987 to 1997 and Deputy General Secretary from 1997/2000. As from January 2001 she is Director of the Infocus Programme on strengthening Social dialogue at the ILO.

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- **Inger Ohlsson**

Swedish national, she is Director General of the Swedish National Institute for working life since 1999. During the period of 1994/1999, Inger Ohlsson was president of the Swedish Confederation of Professional Employees, TCO. She was also member of the board of ETUC and its steering committee (1994/1999).

- **Dimitri Paraskevas**

Mr Paraskevas is a practising Greek lawyer, particularly active in the field of mergers, acquisitions and privatisation. Mr Paraskevas has been adviser to the Greek Ministry of Industry, Energy and Technology (1993) and Secretary for privatisation's under the Ministry of Development (1993-July 1999).

- **Jelle Visser**

Jelle Visser is professor of empirical sociology and holds the chair of sociology of work and organisation at the University of Amsterdam, where he is scientific director of the Amsterdam Institute of Advanced Labour Studies (AIAS), an interdisciplinary centre of excellence combining economists, sociologists, psychologists and lawyers. He is also associated with the Max Planck Institute for the Study of Societies in Cologne, Germany, and has acted as consultant to the OECD and the ILO.

- **José María Zufiaur**

Spanish trade unionist (UGT), he is also a member of the Social and Economic Committee since 1986. He is currently Technical Director of the International Social Relations Department within the International Affairs Institute (Universidad Complutense de Madrid). Mr Zufiaur is also Director of "Labour Consulting", a consultancy firm specialised in industrial relations and labour law.

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## ANNEX 3

### HEARINGS OF THE HIGH LEVEL GROUP ON INDUSTRIAL RELATIONS

- Hearings on 12 April 2001 with Professor Gazier (University of Lyon) and Professor Witlhagen (University of Amsterdam) to discuss the issues of "flexicurity" and transitional labour markets
- Hearings on 10 May 2001 with the European social partners ETUC, CEEP and UNICE
- Hearings on 21 June 2001 with M.Jérôme Vignon (European Commission), Mrs.Dussutour (Council of European Municipalities and Regions) and M.Boeles (Shell) to discuss the issue of governance at European, local and at company level.
- Hearing on 17 July in Paris with the Danone's group and its chairman , M.Riboud
- Hearing on 2 October 2001 with the European Foundation for improvement of living and working conditions
- Hearing on 23 November 2001 (morning) with the European sectoral social partners in the framework of the Forum de liaison
- Hearing on 23 November 2001 with the European social partners UNICE,CEEP and ETUC

European Commission

**Report of the High level group on industrial relations and change in the European Union**

Luxembourg: Office for Official Publications of the European Communities

2002 — 50 pp.— 17.5 x 25 cm

