



THE IMPACT OF EMU ON INDUSTRIAL RELATIONS

This leaflet deals with the impact of Economic and Monetary Union (EMU) on industrial relations, employment and working conditions at European, national, sectoral and company levels. It is based on a major report which investigated the effects of EMU on the processes of industrial relations and their outcomes in terms of pay and employment in three sectors: automotive, financial services and road haulage.

Key findings

- Based on a narrow perspective (EMU viewed simply in terms of the euro currency, the European Central Bank and the Stability and Growth Pact), EMU has had little impact on the processes and outcomes of industrial relations in the three sectors, with the exception of financial services;
- Based on a wider perspective (EMU viewed as a factor in the completion of the internal market), EMU has had a more considerable impact, although this varies from sector to sector and is largely indirect. The most pronounced effects are to be seen in the automotive and road haulage sectors;
- In the automotive sector, European integration has resulted in increased competition, adding pressure to cut costs;
- In the road haulage sector, EMU has led to the emergence of large pan-European third-party logistics companies, resulting from the demands of multi-national companies (MNCs) to manage their supply chains on a Europe-wide basis;
- In the financial sector, there has been a considerable shift in employment patterns, from branches to 'call' centres;
- There are few signs of European-level industrial relations activity in the three sectors as a result of EMU, although cross-country 'coercive' comparisons are an important element in negotiations in the automotive industry;
- Although further 'Europeanisation' of industrial relations in the form of 'virtual' and 'arms-length' bargaining is expected, it is unlikely that any European collective agreements determining pay and working conditions at company or sectoral level will result;
- It will be some time before European Works Councils (EWCs) emerge as a key player on the industrial relations scene;
- Hand in hand with further mergers and acquisitions impacting from EMU will be increased company restructuring as management comes under pressure to make its working arrangements more competitive.



Introduction

The arrival of EMU is one of the defining moments in the development of European integration. So far, most of the attention has focused on the economic and financial implications of EMU. By comparison, the social implications have received very little attention – yet these are likely to be equally far-reaching. It is not just social policy, at both EU and national levels, that is in question here, but also the pay and conditions of European citizens.

The research study launched in 1998 by the European Foundation for the Improvement of Living and Working Conditions had two main objectives:

- to assess the impact of EMU, especially on employment, industrial relations and working conditions, at EU level;
- to facilitate the debate between the social partners, national and EU policy makers on the social impact of EMU.

The investigation involved document-gathering and interviews with management and employee representatives of companies, employers' organisations and trade unions in six Member States – Germany, Spain, France, the Netherlands, Finland, and the United Kingdom – to allow for a balance of regions and different industrial relations systems. It was decided to put the spotlight on the following three sectors: automotive (manufacturing and components), financial services (banking and insurance) and road haulage. These sectors were chosen because they reflected a wide range of institutional arrangements and market structures as well as being sectors which contribute significantly to the economic performance of most EU countries. Table 1 below lists those case study companies by sector and country which were examined in the research.

Table 1 EMU case-study companies

Automotive			
Germany	Daimler-Chrysler	Volkswagen	Auto components company (wished to remain anonymous)
Spain	Ford	SEAT	Michelin
France	Renault	PSA Peugeot-Citroën	Valéo
Netherlands	Nedcar	Scania	Powerpacker
Finland	Valmet Automotive	Sisu Auto	Nokian Tyres
United Kingdom	GM (Vauxhall)	Peugeot	Cummins
Financial services			
Germany	Deutsche Bank	Commerzbank	Dresdner Bank
Spain	Banco Santander Central-Hispano	Banco Popular	AXA
France	Crédit Lyonnais	Société Générale	Assurances Générales
Netherlands	ABN-AMRO	ING Group	Bouwfonds
Finland	Merita-Nordbanken	Leonia Bank	Pohjola Insurance
United Kingdom	HSBC (Midland)	Legal & General	NatWest
Road haulage			
Germany	Deutsche Post	Schenker BTL	DHL
Spain	MRW	Azkar	TNT
France	Expag	Nicholas Industry	Sotrapoise
Netherlands	Van Gend & Loos	DHL	Hays Logistics
Finland	Schenker BTL	Beweship	Kaukokiito
United Kingdom	Christian Salvesen	Barbour-European	Andrew Wischart



Table 2 Collective bargaining arrangements at national level

Germany	No tradition of national inter-professional agreements. Unsuccessful attempts to negotiate 'Alliance for jobs' in 1996 and 1999. On-going informal social dialogue.
Spain	A series of inter-professional agreements in 1996 have dealt with further training, vocational training policy, health and safety, pensions, and extra-judicial solutions to labour disputes. In 1997, there were three agreements, under the label 'Labour agreement for employment', dealing with 'employment stability', collective bargaining' and 'filling the gaps in regulation'. In 1996, the process of substitution of labour ordinances, which had in the past governed the terms and conditions of employment by collective bargaining practices, came to an end.
France	No major national inter-professional agreements since 1995 (although ARPE scheme covering unemployment benefit renewed in 1998). On-going informal social dialogue.
Netherlands	Long tradition of national inter-professional agreements and social dialogue in the Foundation for Labour. Following the Wassener agreement of 1982, there has been a series of national level understandings in which wage moderation has been exchanged for reductions in social charges and improvements in employment policy. There have also been agreements on the future agenda for collective bargaining (1993 and 1997) and a number of training and employment issues as well as legislative measures designed to promote 'flexicurity'.
Finland	Long tradition of national inter-professional agreements. Emphasis of most recent agreement has been on incomes policy and establishment of 'buffer' funds to cope with possible asymmetric shocks that might arise after the introduction of EMU.
United Kingdom	No tradition of national inter-professional agreements. On-going informal social dialogue.

The impact of EMU so far

The impact of EMU on industrial relations can be considered from two positions. The first, which might be labelled the narrow view, is to see EMU in terms of the single currency, the European Central Bank with responsibility for setting a single monetary policy, and the Stability and Growth Pact which was designed to put teeth into the public deficit provisions. From this position, EMU appears so far to have had relatively little impact on either the processes or the outcomes of industrial relations in the three sectors. In the case of the processes, the developments in coordination at EU sectoral level in both the automotive and financial sectors by the European Metalworkers' Federation and UNI Europa respectively are a direct response to EMU, but they have yet to have a demonstrable impact. The changing balance between sectoral and company bargaining that is the major feature of a number of the case study companies in the three sectors reflects wider developments in corporate restructuring which is discussed below. In terms of pay and employment, there also appears to be little impact. In the financial sector, there is a direct impact on the levels and conditions of employment – for example in foreign exchange transactions – but the number of

employees involved is relatively small. Overall, pay moderation is the norm, but this has been a feature of the 1980s and 1990s. The costs of introducing the single currency are likely to reduce profit margins in each of the sectors, especially where increasing competition puts pressure on prices, but any knock-on effects on employment have yet to be experienced.

The second position is to see EMU as the on-going process involved in establishing the single European market. From this position, the impact on industrial relations looks much more substantial, albeit indirect. It is the considerable boost that EMU has given to the emergence of large companies through mergers and takeovers which lies behind the changing balance between sectoral and company bargaining in financial services. Similarly, EMU is responsible for the creation of pan-European third party (logistics) companies in road haulage in response to the demands of MNCs for operators to manage their supply chains on a Europe-wide basis. It is not just that these mergers and takeovers cut across the traditional boundaries of sectoral agreements and considerably complicate their application, but they also create a need for employment systems that cannot be fully catered for in multi-employer agreements.

Internal restructuring

The restructuring that the single market has unleashed also has huge implications for all three sectors. In the automotive sector, where increasing globalisation rather than ‘Europeanisation’, might be said to be the dominant consideration, European integration is intensifying competition, adding to the pressure to cut costs. In finance, it is one of a number of factors underpinning changes in working practices and working conditions and helping to bring about considerable shifts in employment from branches to ‘call’ centres. In road haulage, EMU is not only giving further impetus to the shift from ‘own account’ to ‘hire and reward’ operators, but is also opening up the sector to competition from drivers and companies from Bulgaria, Rumania and Turkey as well as from EU member countries.

Sectoral differences

The impact of these developments on the processes of industrial relations varies from sector to sector. In automotive manufacturing, cross-national comparisons of costs and conditions are already an important consideration in negotiations between management and trade unions as well as investment decisions. The more management encourages employees to compete for investment in the company’s internal market, the more employee representatives have their attention drawn to the terms and conditions of employment in other countries, the weekly working hours being the most obvious example.

In finance and road haulage, the first shoots of a European system have hardly begun to appear. In

Table 3 Collective bargaining arrangements at sectoral level

	Automotive sector	Finance sector	Road haulage sector
Germany	<ul style="list-style-type: none"> • sectoral agreements at <i>Land</i> level (metalworking) • company and/or works council agreements 	<ul style="list-style-type: none"> • sectoral agreements at national level (banking and insurance) • company and/or works council agreements 	<ul style="list-style-type: none"> • sectoral agreements at district level • small number of company and/or works council agreements
Spain	<ul style="list-style-type: none"> • no sectoral agreement • company agreements with trade union/worker committee representatives 	<ul style="list-style-type: none"> • sectoral agreements at national level (private banking, savings banking and insurance) • company agreements with trade union/worker committee representatives 	<ul style="list-style-type: none"> • sectoral agreements at provincial level • small number of company agreements with trade unions/worker committee representatives
France	<ul style="list-style-type: none"> • sectoral agreements at national and <i>département</i> levels (metalworking) • company agreements with trade union representatives 	<ul style="list-style-type: none"> • sectoral agreements at national level (private banking, savings, banking and insurance) • company agreements with trade union representatives 	<ul style="list-style-type: none"> • sectoral agreement at national level • small number of company agreements with trade union representatives
Netherlands	<ul style="list-style-type: none"> • sectoral agreement at national level (metalworking) • Company agreements with trade union/works council representatives 	<ul style="list-style-type: none"> • sectoral agreements at national level (banking and insurance) • company agreements with trade union/ works council representatives 	<ul style="list-style-type: none"> • sectoral agreements at national level • small number of company agreements with trade unions/works council representatives
Finland	<ul style="list-style-type: none"> • sectoral agreement at national level (metalworking) • company agreements with trade union representatives 	<ul style="list-style-type: none"> • sectoral agreements at national level (banking and insurance) • company agreements with trade union representatives 	<ul style="list-style-type: none"> • sectoral agreement at national level • small number of company agreements with trade union representatives
United Kingdom	<ul style="list-style-type: none"> • no sectoral agreement • company and/or business unit agreements with trade unions/shop stewards 	<ul style="list-style-type: none"> • no sectoral agreement • company and/or business unit agreements with trade unions/local representatives 	<ul style="list-style-type: none"> • sectoral agreements at regional level • small number of company and/or business unit agreements with trade unions/shop stewards



finance, where the use of ‘coercive comparisons’ prevalent in the automotive sector barely exists, the dominant issue concerns the implications of restructuring. In road haulage, there are as yet few signs of cross-national activity at either sectoral or company level, although the EU sectoral social dialogue is stronger, reflecting the European Commission’s greater involvement in transport matters.

Many factors lie behind the differences between the three sectors, and between the companies in the sectors: ownership, market position, the degree of trade union organisation and the wider legal, political and social context of individual countries. What helps to explain the growing similarities between companies regardless of the different national industrial relations systems (see Table 2 for a comparison of the different systems) is the level of homogenisation of activities and the accompanying integration of operations for their delivery.

Automotive sector

Automobile manufacturing is exceptional in this regard, being dominated by a small number of very large MNCs with increasingly integrated European, and in some cases worldwide, markets and production operations. An internal market for capital has long been a feature of this industry and the use of ‘coercive comparisons’ is integral to its operation.

Financial sector

The financial sector is also increasingly dominated by large MNCs. However, most of these organisations are now involved in a diverse range of activities, including retail, corporate and investment banking, as well as insurance and savings. Moreover, there is nothing like the cross-national integration that exists in the automotive industry. Most importantly, retail banking, where most unionised employees are to be found, remains largely a domestic affair, albeit increasingly influenced by global developments.

Road haulage sector

In road haulage, both capital and labour are extremely mobile. It is possible that some logistics companies in third-party distribution which organise themselves on a similar basis to the automobile manufacturers will emerge. For the moment, however, the dominating feature of the sector is its fragmentation. Virtually every one of the key variables – size, ownership and business focus – is represented at its most extreme and the shape this sector is likely to take is far from clear.

Future developments

Centralisation and decentralisation

Looking at future prospects in the light of the findings, it would seem that the twin processes of

decentralisation and centralisation within national industrial relations systems look set to continue. In the first case, it is likely that EMU will encourage further mergers and acquisitions, and also set in motion a process of internal restructuring as management comes under pressure to make its working arrangements more competitive. Indeed, this has already happened in the case of some of the companies in automotive and finance. Also to be expected, especially in those countries where there is a long-standing tradition, is that there would be further developments in ‘macro-concertation’. Other things being equal, it might be expected that the social partners and government would be forced into one another’s arms.

Sectoral bargaining

Given their key role in establishing frameworks of terms and conditions in most EU countries, it is the future of sectoral agreements that perhaps most demands the attention of national policy makers. Here developments in finance in the Netherlands and Spain suggest two ways forward. The first is to switch the emphasis of sectoral agreements from setting standards to establishing frameworks. In this case, the company agreement is effectively supplementary to the sectoral agreement. The other is that the large companies effectively opt out of sectoral agreements and negotiate instead their own company agreements, which is what is happening in the Netherlands. Table 3 below outlines the sectoral bargaining arrangements for each country studied in the research.

Clearly much depends on the structure of the sector. Either of the two scenarios described above is feasible where there are a large numbers of SMEs as well as in the case of large companies. The second is hardly feasible, however, where the sector is characterised by larger companies, as is the case in banking in the UK.

Towards greater Europeanisation?

What are the prospects for the development of a European system of industrial relations? The research finds little evidence that collective bargaining involving normative contracts will emerge in the near future at either EU sectoral or company levels. In road haulage, there is support for an EU sectoral agreement among some employers’ and trade union representatives, reflecting a background of social dialogue with the European Commission around the EU deregulation programme and its intervention in areas such as safety and working time. In the automotive and finance sectors, however, management and employers’ organisations are opposed. Over and above views about the desirability or otherwise of European-level sectoral collective bargaining, there is widespread recognition of the immensely practical problems that have to be overcome if this is to take place. As recent experience in road transport demonstrates, the

definition of the bargaining unit appears to be especially critical, as the delineation of the sector for social dialogue purposes does not fit in with the usual collective bargaining terms.

The influence of EWCs

At Euro-company level, EWCs, which some commentators expect will provide the infrastructure for collective bargaining, are only in their infancy and the early signs are that, in most cases, it will take some time for them to become a major industrial relations actor. Significantly, too, it is not just management which is opposed to EWCs assuming a collective bargaining role: many employee representatives take this view also.

As with the sectoral level, there are significant differences in pay systems and pay structures among companies which the transparency of a single currency is only partially going to illuminate. There are also worries among employee representatives that moves towards harmonisation will involve levelling down as well as levelling up.

'Virtual' collective bargaining

Although it is extremely unlikely that, for the foreseeable future, there will be European collective agreements determining pay and other substantive conditions, further 'Europeanisation' of industrial relations will probably ensue as a natural consequence of the single European market. The process involved could be described as one of 'virtual' collective bargaining: collective bargaining will continue to take place through existing sectoral and company structures in individual countries but is likely to be increasingly influenced by cross-national developments.

Framework agreements

One of these will be the conclusion of joint opinions or framework agreements at EU inter-professional, EU sectoral and Euro-company levels, establishing parameters and objectives within which negotiators at subsidiary levels in individual countries are expected or required to operate. Arguably, the very first signs of framework agreements at Euro-company level are emerging in the financial sector in the form of agreements on common values.

'Arms length' bargaining

Another such development is 'arms length' bargaining, in which employers and union representatives do not negotiate face to face at European level, but the outcomes are influenced and coordinated across countries. Some features of 'arms-length' bargaining are already apparent in the

automotive sector, both at company level and at sectoral level in some regions.

The role of the individual company

A further implication is that, in the absence of external intervention, the speed with which framework agreements and 'arms length' bargaining develops will probably vary considerably. The critical dimensions, however, are unlikely to be the national industrial relations system or the sector as it has traditionally been conceived but rather the specific position of individual companies. Here ownership, market, geographical spread, organisation structure and the ability of employee representatives to mount their own variant of 'coercive comparisons' are likely to be especially important. In some sub-sectors of road haulage, for example, both management and trade unions may see a logic in multi-employer framework agreements on a European basis. Elsewhere, however, notably in automobile manufacturing and banking, it is doubtful whether there will be a consensus for such arrangements. In these sectors it is probable that the company will be the main focus of activity, with the balance between framework agreements and 'arms length' bargaining differing from case to case, depending above all on the degree of integration of the company's activities and geographical spread. For example, it seems likely that such developments will come sooner in companies heavily involved in the Benelux-German or Nordic regional axes than in those whose activities are more widespread. Policy makers will have to grapple with a multi-speed Europe as far as the Europeanisation of industrial relations is concerned.

Conclusion

The findings and ideas presented here reflect the situation in the three sectors up to early 2000 when the research report was being written. The great imponderable is the impact that the changeover to the euro in January 2002 will have. Much of what has been described and said here is likely to hold true. In particular, there will still be considerable difficulties in comparing both the levels and the composition of pay from one country to another. At the same time, however, evidence from research at company level suggests that new sources of information about pay and the conditions of employment can have a significant effect on employees' comparative reference groups, leading to pressure for changes in bargaining arrangements. This is not to say that the same will happen with the introduction of the euro. The possibility that it may do so, however, is something that should not be overlooked.



The impact of EMU on industrial relations

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