



The Europeanisation of industrial relations in a global perspective: A literature review



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European Foundation for the Improvement of Living and Working Conditions

The Europeanisation of industrial relations in a global perspective: A literature review

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Foreword

National systems of industrial relations are embedded within national institutional and cultural arrangements, which have developed over a long period. They therefore show considerable diversity. Over the last 30 years they have faced both internal and external challenges. However, in the light of Europeanisation and globalisation, these challenges are increasingly similar. One of the core areas of research of the European Foundation for the Improvement of Living and Working Conditions is industrial relations developments, and the present report represents one outcome of their project on the Europeanisation of industrial relations in the global context.

The report reviews the literature on the impact of globalisation and European integration on industrial relations, especially within Europe. In particular it discusses the extent to which industrial relations systems are themselves being 'Europeanised'. Within an analytical framework that provides an overview of the connections between globalisation, European integration and the various processes of economic and social modernisation which are influencing changes in society. The review presents different theories of industrial relations. It finds that the pressures of globalisation, in particular the internationalisation of finance capital and integrated production ('global sourcing'), have changed the power relations between capital, labour and the state, largely to the advantage of capital, which enjoys increased exit options.

Developments in both national systems of industrial relations and at the European level are discussed against this background. So far as the national level is concerned, the report considers several aspects of the Europeanisation of industrial relations: the European social dialogue, European works councils, European coordination of collective bargaining and the involvement of industrial relations actors in the various European economic, social and employment policies.

The Foundation will continue to monitor and analyse developments in industrial relations, including the nascent process of Europeanisation. The European Commission, in a recent communication on the European social dialogue, and the European social partners themselves in their joint contribution to the Laeken European council, are actively debating the part the social partners may play in European integration. We believe that the present report provides an excellent backdrop both to this ongoing debate and to future research on the Europeanisation of industrial relations.

The editors wish to acknowledge the support of the other members of the ETUI research team (Stefan Clauwaert, Giuseppe Fajertag, David Foden, Jochen Gollbach and Peter Kerckhofs), and participants of the March 2002 ETUI workshop in the preparation of this literature review.

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Abbreviations

CEEC	Central and Eastern European Countries
CEEP	European Centre of Enterprises with Public Participation and of Enterprises with General Economic Interest
CME	Coordinated Market Economies
CTEU	Consolidated Treaty of the European Union
ECB	European Central Bank
ECJ	European Court of Justice
ECOSOC	European Economic and Social Committee
ECSC	European Coal and Steel Community
EEC	European Economic Community
EES	European Employment Strategy
EIRO	European Industrial Relations Observatory
EMF	European Metalworkers' Federation
EMU	European Monetary Union
EPOC	Employee Participation in Organisational Change (survey)
ETUI	European Trade Union Institute
ETUC	European Trade Union Confederation
EWC	European Works Council
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ILO	International Labour Organisation
IMF	International Monetary Fund
LME	Liberal Market Economies
LO-DK	Danish confederation of trade unions
NAFTA	North American Free Trade Agreement
NAPs	National Action Plans
OECD	Organisation for Economic Cooperation and Development
OJ	Official Journal (of the European Union)
PECs	Pacts for Employment and Competitiveness
QMV	Qualified Majority Voting
RSU	Rappresentanze Sindacali Unitarie
SE	European Company Statute
SEA	Single European Act
SEM	Single European Market
TEU	Treaty of European Union
UEAPME	European Association of Craft, Small and Medium Sized Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICE	Union of Industrial and Employers' Confederations of Europe
WTO	World Trade Organisation

Industrial relations under the pressure of internationalisation

Over the last 30 years national industrial relations systems have been challenged on a number of fronts, both internally and externally. Traditionally, these industrial relations systems are embedded within national territorial institutional and cultural arrangements, which have developed over a long period. It is possible to distinguish a number of models of capitalism amongst the diverse national arrangements. In the light of Europeanisation and globalisation, these national industrial relations systems are increasingly facing similar challenges.

Industrial relations are defined by way of the exchange relations between wage labour and capital, the structural inequality that this implies, and the power relations in the workplace enforced through labour–capital exchange. In order to study the processes of Europeanisation and internationalisation and their impact on industrial relations, it is therefore necessary to examine the link between the different logics of action of the collective actors involved in industrial relations and internationalisation processes, particularly trade unions and employers' associations (Olson, 1971; Offe and Wiesenthal, 1985).

Trade unions have evolved over time, following different organisational models, with the objective of representing the interests of the workforce within the context of segmented labour markets, based on national and regional, sectoral and occupational sub-markets. Similarly, employers' associations have developed as a means of representing their members' interests to political authorities and within industrial relations systems. The primary arena of interaction between workers, trade unions and employers' associations has been the labour market within the borders of a given nation-state.

The challenges of the 'megatrends': globalisation, Europeanisation, tertiarisation

Globalisation is the intensification of economic, political, social and cultural relations on a global level. However, looking at the literature no simple definition adequately explains this very complex process, and it is even questioned by a number of theorists if such a process exists, or if globalisation is a neologism for the process formerly termed internationalisation (see Figure 1 for summarised arguments). Key advocates of the strong globalisation hypothesis include Altvater and Mahnkopf (1999), Beck (1997), Streeck (1997c), Thurow (1996) and Reich (1993). On the other side, Hirst and Thompson (1996) among others argue that the extent and impact of globalisation is over estimated. Whilst Scholte (2000) offers a critical overview of the issues.

The current processes in which industrial relations are becoming increasingly European or international – processes collectively termed globalisation – have taken on a new quality compared with earlier internationalisation processes, for the following reasons:

External pressures

Capital has extended the limits of the market beyond national borders, opened up new 'exit options' (for global players) for profit-use through the internationalisation of financial capital and internationally integrated production concepts (see Hirschman, 1970 on the concept of 'exit'). This

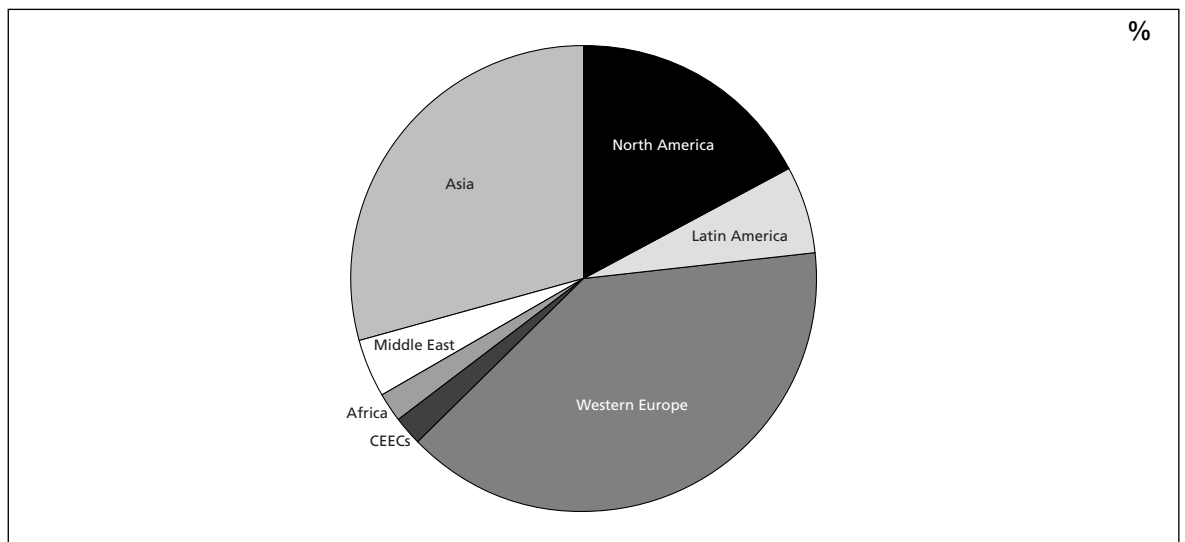
exerts pressure on national regulatory systems. At the same time the internationalisation of market competition ('benchmarking') puts models of capitalism oriented towards consensus and cooperation (e.g. Rhineland capitalism) under competitive pressure from a more flexible market-oriented capitalism with an orientation towards the shorter term (shareholder-value capitalism).

Figure 1 The main arguments behind the globalisation hypotheses

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

Source: Hoffmann, 2001

Figure 2 'Triadisation': world merchandise exports, by region 2000



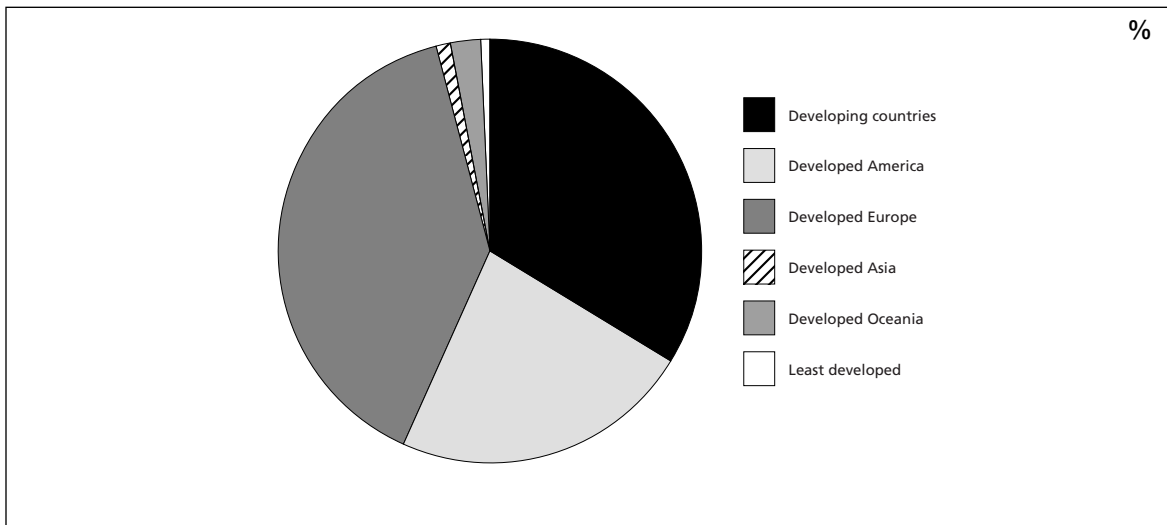
Source: WTO

Concurrently this internationalisation process is mediated by a process of production restructuring that has initiated a process of internal and external flexibilisation that opens up

internationalisation options in the form of global sourcing. This has been associated with an 'erosion of the boundaries of work': the demise of the standard employment relationship, flexibilisation of working time, instability and variability of the workplace and of the employer, and a muddying of the distinction between self-employed and dependent workers.

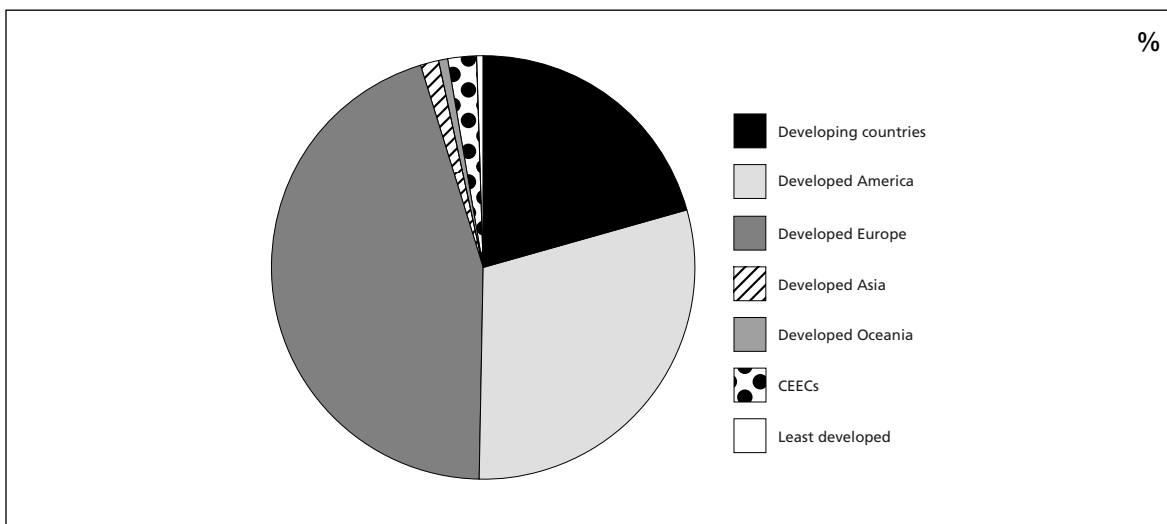
However, the bulk of world trade and foreign direct investment (FDI) flows are concentrated on three macro-regions in the world (EU, North America and East Asia, see Figures 2, 3 and 4). This is referred to as 'triadisation'.

Figure 3 FDI inflows of the world total, by region, 1975



Source: UNCTAD

Figure 4 FDI inflows of the world total, by region, 1999

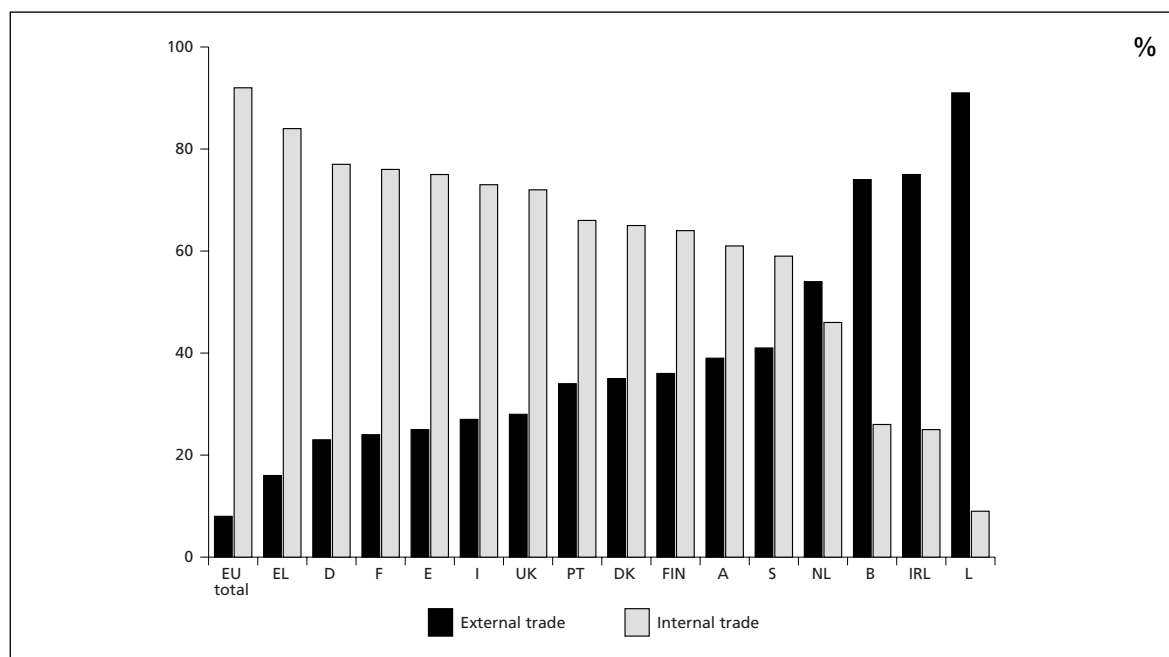


Source: UNCTAD

Moreover, if we look more closely 80% of the statistical changes in trade, which are seen in the public debate as evidence of globalisation, consist of changes linked to the establishment and

practice of the European single market (in which 40% of world trade occurs) and to that extent reflect a Europeanisation of the national economies (Figure 5).

Figure 5 Internal and external trade in the EU



Source: Foden, 1998

The motivations behind foreign direct investment (FDI) are mostly the securing of market access, market share and market expansion, while FDI motivated by labour costs account for approximately 10% (IFO 1996). Of this FDI nearly 90% of capital outflows and 70% of capital inflows are concentrated on OECD countries (see Figures 6 and 7) (Evans, 1998).

Internal pressures

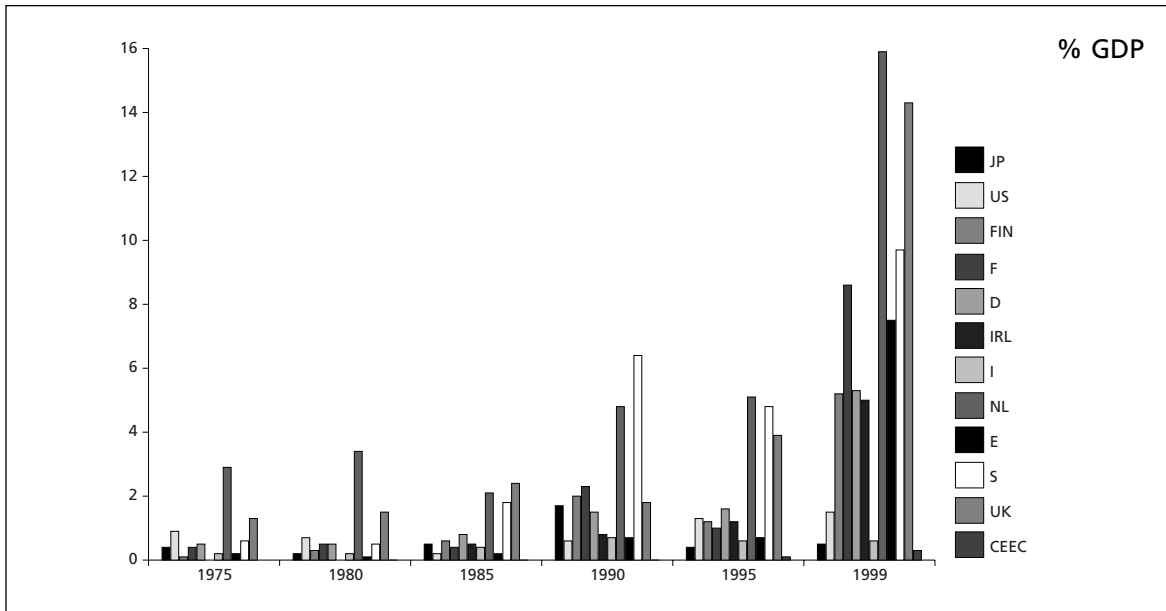
In addition to these external pressures, the globalisation process is linked – although not directly tied – to the tertiarisation of the economy and society (see Figure 8). This link is more immediate in the transport, marketing, information and communications sectors and has knock-on effects for other sectors. Tertiarisation has paralleled the emergence of new industries, dominated by small and ‘minimum-size’ enterprises, which are barely organised by trade unions or employers’ associations. This process of tertiarisation, in turn, is linked to the feminisation of labour.

For decades there has been a gradual erosion of the traditional socio-cultural milieus of the workers’ movement. These conditions allowed workers’ organisations to be more independent from labour markets during the building of their organisations and political structures. This erosion – a process stretching back beyond the last 30 years – is a process of pluralisation and modernisation of modern societies which are becoming more segmented, individualistic, and self-determined.

Last but not least, we should note the ageing of the population in nearly all developed countries, which threatens the financial basis of social security systems, which rely, in one form or another, on contributions from the employed labour force, particularly in Continental Europe. By expanding

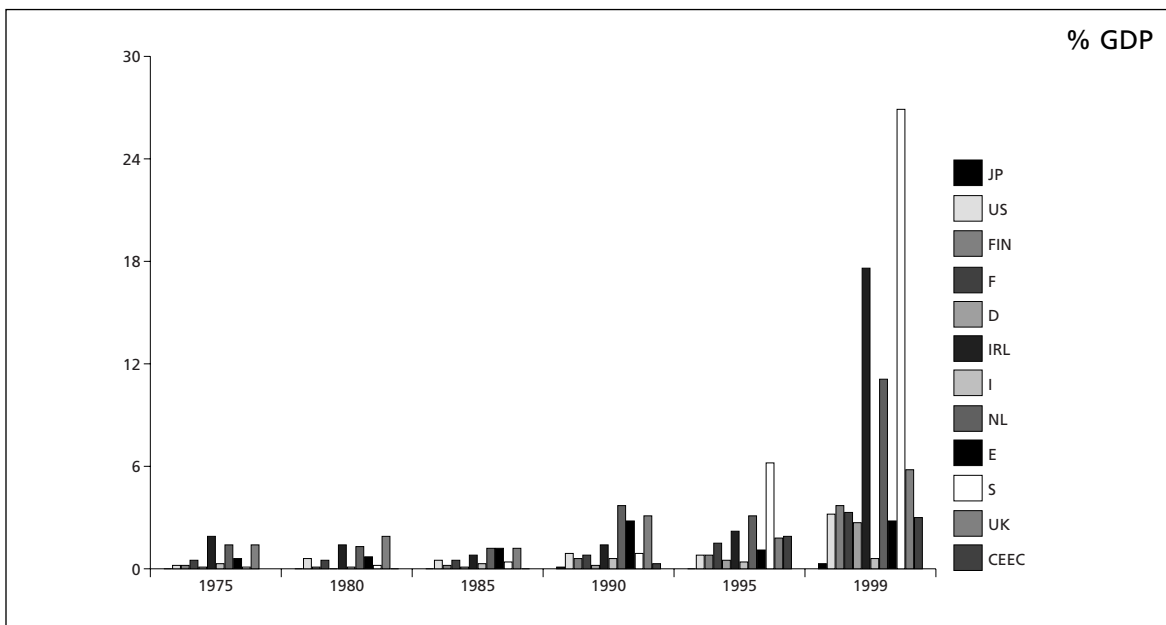
the borders of markets and capital's exit options, these megatrends undermine the foundations on which national industrial relations systems are based.

Figure 6 FDI inflows in selected developed countries and CEECs, 1975-99



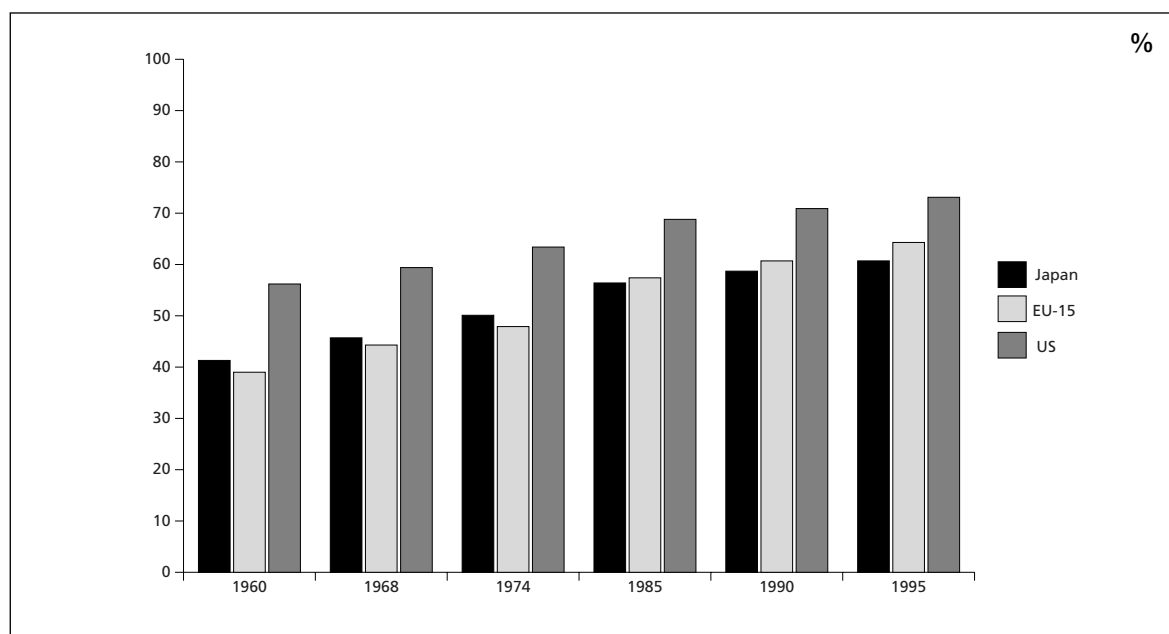
Source: UNCTAD

Figure 7 FDI inflows in selected developed countries and CEECs, 1975-99



Source: UNCTAD

Figure 8 Service employment share, 1960-95



Source: European Commission, 2000d

Some have argued that trade unions can best serve as a countervailing power to the market power wielded by capital where their organisational borders are congruent with the borders of the market (Ebbinghaus and Visser, 1994). Given that market borders are being extended in all three areas discussed above, trade unions are being forced to address the question of whether they should adjust their organisational borders to reflect the new borders of the market.

Social researchers have stressed the need to re-embed capital (constrain the actions of market participants) through social norms and state regulation (Beck, 1997; Habermas, 1998). According to some, this necessitates national and international trade union action (Hoffmann and Hoffmann, 1997), but such an endeavour carries major organisational and political risks for trade unions.

On the other side of industrial relations, that of the employers, the globalisation process is perceived in a very different way. Firms, as individual companies, are able, by way of the market liberalisation that they have pursued vigorously, to free themselves from the regulatory constraints of national and subnational labour markets. After removing regulatory constraints capital rationally seeks to avoid being re-embedded in regulatory systems at the international level (e.g. via forms of collective bargaining). Instead, some large firms attempt to conclude company-specific agreements with their workers that can be adjusted to suit their own economic needs. For individual firms, the internationalisation process opens up exit options that significantly increase their structural power in their relations with labour (Foden *et al* 2001).

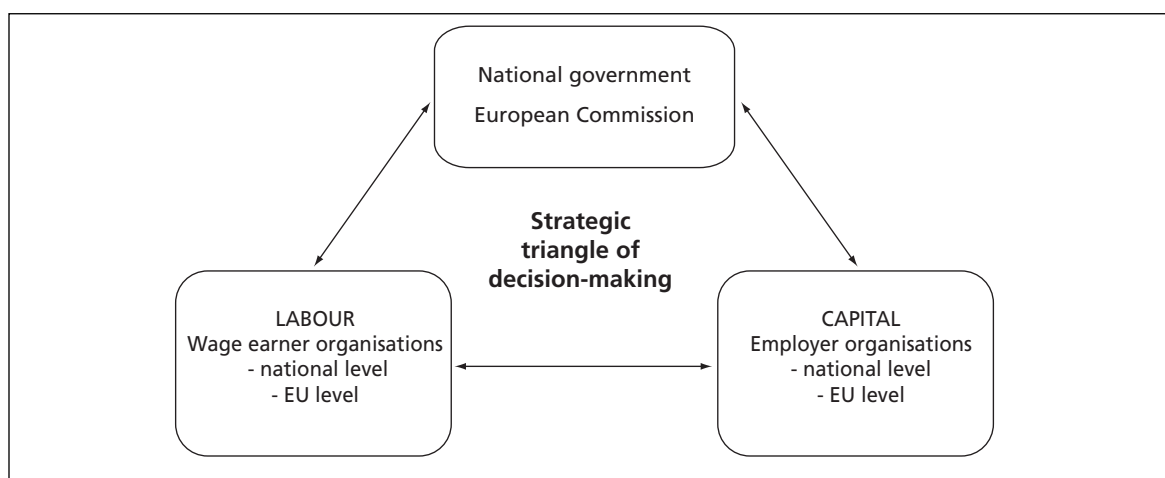
Thus, in contrast to the labour side, in the international arena employers' associations are unlikely to be forthcoming as interlocutors of wage labour, unless trade unions are successful in their attempts to insist on collective bargaining processes at those levels. Thus employers' organisations are – for example at European Union level – primarily pressure groups *vis-à-vis* the institutions of the EU (Greenwood, 1997; Sadowski and Jacobi, 1991).

Theorising industrial relations and models of capitalism

Since Webb and Webb (1894 and 1897) initiated the debate, and more recently Dunlop's groundbreaking book *Industrial Relations Systems* (1958), industrial relations has become an autonomous academic field with an interdisciplinary orientation in the United States and the United Kingdom. This paradigmatic unity in the study of industrial relations is found only occasionally in continental Western Europe. Here, most academic contributions stem from the different social science disciplines: sociology, political science, law, economics, and business administration. This literature review, following the holistic industrial relations tradition, takes into consideration contributions from a wide range of social science disciplines in the discussion of the impact of globalisation and Europeanisation on national industrial relations systems

Industrial relations consist of a web of institutionalised relationships between employees and their representatives (trade unions), employers and their representatives (employers' associations), and the state (see Figure 9). These relations exist on different levels and between different actors. For instance, negotiations about wages, working time, and conditions of work are conducted at the level of the company (between works councils or shop stewards and management), the sectoral (between trade unions and employers' associations), the national level (national pacts), and on the European level (between European trade unions and European employers' associations: social dialogue).

Figure 9 Triangle of industrial relations



Source: Kauppinen, 2001: 51

The outcomes of these negotiations are either procedural (e.g. agreements about the regulation of strike activities) or substantive (e.g. wage increases). In the area of industrial relations, the state may fulfil different functions: first, as a regulator (legislation or jurisdiction), secondly, as employer, and thirdly, as a mediator.

Not only are industrial relations historically and culturally dependent, but above all, they are rooted in very different types of capitalist market economies. Thus, it is possible for ostensibly similar institutions to perform very different functions in the field of action between wage labour and capital. Analysis of these differences becomes all the more necessary in that the various types and models of capitalist market economies are, or may be, affected in very different ways by

processes of globalisation, and this in turn entails further repercussions on the various industrial relations situations. A number of political economy scholars have attempted to conceptualise this complexity. Their discourse is surprisingly recent – with the exception of the early work of Shonfield (1965) – and has been prompted not least by the visibly different effects of globalisation processes on national economies. At the beginning of the 1990s Albert gave the initial impetus with his contribution, which unleashed a long list of publications in its wake (Berger and Dore, 1996; Boyer and Drache, 1996; Crouch and Streeck, 1997; Coates, 2000; Hall and Soskice, 2001).

Albert (1992) distinguishes between two types of capitalism which confront one another: the neo-American (Anglo-American) model, which is based on individual success, fast profit-making, maximisation of competition, and extensive commercialisation in the media; and the Rhineland (Germany, Northern Europe, and Japan) model, which emphasises consensus, long-term thinking and planning, and common success.

According to Albert, the Rhineland model is not only more efficient but also more egalitarian and just, and therefore socially as well as economically superior to its ‘neo-American’ counterpart. Albert believes that the Rhineland model is in a defensive position for two reasons: first, it displays a lack of communicative abilities, i.e. it cannot sell its success; and secondly, because of the more individually appealing promises of the neo-American model, i.e. making money quickly. According to Albert, it is this ideological belief in the individual’s opportunity to make money as opposed to collective gains in the long run that makes the neo-American model so attractive to people, who, on most objective measures, lose out by opting for it.

Similarly, Hall and Soskice (2001) distinguish between liberal market economies – LME – and coordinated market economies – CME. They emphasise, in an analysis underpinned by game theory, sociological and institutional argument, the significance of the various social institutions behind market relations and draw up, on this basis, widely varying typologies of action or behaviour, without wishing or being able to decide which of the two types is economically superior. Their conception, reinforced in the book by a series of empirical analyses, posits social institutions as ‘socialising agencies’ that exercise power and give rise to a ‘matrix of sanctions and incentives’. Firms are permanently faced with coordination problems which can be classified in the following five spheres (along similar lines of analysis as in Ruigrok and van Tulder, 1995): industrial relations; vocational training; corporate governance; inter-firms relations; and coordination problems with their own employees. The coordination problems – or the ‘fields of uncertainty’ as Crozier and Friedberg (1979) would call them – are dealt with by firms as collective actors in a wide variety of ways. Whereas in LMEs firms coordinate their activities primarily via hierarchies and competitive market arrangements, in CMEs – which according to Hall and Soskice (2001) include both the corporatist variety (Rhineland capitalism, social democratic Nordic type) and also statist capitalism (France, Italy) – they depend more strongly on non-market relationships with other actors to coordinate their endeavours and to construct their core competencies.

Naturally, all capitalist economies have hierarchies which are devised by firms to get to grips with problems that markets are unable to solve. Whereas, in LMEs these (on the basis of the legal framework, property rights, etc.) are the ‘principal institutions’, in CMEs further social institutions are developed, to reduce actors uncertainty about the behaviour of others and allow them to make credible commitments to one another, e.g. by exchange of information, codes of behaviour and

sanctions hitting those who fail to respect the cooperation rules – a situation which is implemented not least by powerful employers or industry federations and strong trade unions, by networks of cooperation and participation or ‘cross-shareholdings’. On this basis, Hall and Soskice (2001) are able to show that the ways in which firms react, as collective actors, impact very differently upon economic change and, similarly, that innovation processes, industrial relations, relations between banks and firms can diverge strongly from one another.

Meanwhile, Coates (2000) offers a typology in which he differentiates between three ideal types of capitalist organisation:

- Market-led capitalisms, or liberal capitalisms, where accumulation decisions lie almost completely with private companies, which are left free to pursue short-term profits and to raise their capital in open financial markets. In terms of their industrial relations systems, workers enjoy only limited statutory industrial and social rights, and earn only what they can extract from their employers in largely unregulated labour markets. In these systems, state involvement in the economy is limited largely to the creation and protection of markets. For Coates, examples of this type are the US and the UK;
- State-led capitalisms, or Asian capitalism, in which, as in the liberal type, decisions are primarily seen as the right and responsibility of private companies, but those decisions are often taken after (and sometimes determined by) consulting public agencies and banks. Labour movements in this case still tend to lack strong political and social rights, but company-based welfare provisions exist for the core of the workforce. Examples of this type are Japan, in the immediate post-war period and South Korea;
- Negotiated or consensual capitalisms, or European welfare capitalism, where within the political system a strong edifice of worker rights and welfare provision has been constructed, which gives organised labour a powerful market presence and the ability to participate directly in economic decision-making. However, the degree of direct state regulation may remain small. In this model, the emphasis is on the long-term orientation of a socially and economically sustainable and therefore more effective form of capitalism. Coates cites post-war Scandinavian countries and West Germany as examples of this type.

The uniqueness of the European Union is that it consists of different models of capitalism. Its challenge is to integrate them into a viable institutional structure without jeopardising national societies and economies. The emergence of European Union institutions can, from a theoretical perspective, be seen as a common complementary layer of institutions on top of existing national differences.

Convergence or divergence?

Taking all these developments together, we obtain a paradoxical picture of the outcomes of these globalisation processes. On the one hand, there is apparent increased convergence in the different models of capitalism. On the other hand, these processes are leading to an increasing divergence of incomes, working conditions, and life chances within each country (Altvater and Mahnkopf, 1999). If this paradox were to solidify, national trade unions would face a double challenge. First, they would lose their secure institutional structures at national level within which they have so far

managed to pursue their policies. Secondly, they would be confronted with more serious 'solidarity needs' at both national and international level, the meeting of which by way of a solidaristic wage and collective bargaining policy requires precisely the stable, embedded institutions they have had to date (Schulten, 2001). In short they face the task of squaring the circle.

However, there is as yet no firm agreement that the models of capitalism are converging, or whether, on the contrary, countries will try to build on and exploit their specific advantages in global competition, entrenching existing diversity. The first possibility seems all the more plausible given that it is the corporatist or statist models of capitalism that are currently facing challenges, as compared to the Anglo-Saxon brand of market capitalism. However, the model of corporatist capitalism offers firms more secure expectations in the longer term, in the face of an increasingly unstable economic environment. A comparison of reactions to the globalisation process in different types of market economy (LMEs and CMEs) in the studies documented in Hall and Soskice (2001) shows, rather, that the different market economies tend to increase specialisation in their areas of greatest strength. Therefore, globalisation leads, not to more convergence, but rather to greater divergence, in the sense of specialisation in particular sectors (e.g. new pharmaceutical products are concentrated in LMEs, while more incrementally developed products tend to be concentrated in CMEs) (cf. Vitols, 2001). This empirical finding has also been observed by Traxler *et al* (2001: 288ff.) in the collective bargaining field, against this background and with the advantage of more secure expectations, such corporatist or trust-based models of capitalism may well survive, albeit in modified forms. Empirical evidence certainly suggests that divergence will be maintained between the models of capitalism (Cattero, 1999a: 97). In this scenario – which at least for the present fits the empirical facts better than the scenario mentioned earlier – globalisation would certainly not make everything equal, but it would, as Cattero puts it (1999a: 100), be a huge pacemaker for economic and social change. In this way, rapid qualitative changes in labour markets and regulatory systems are throwing down challenges to trade unions at both national and international level, if they wish to maintain their claim to pursue policies based on solidarity. It is well known that this forces unions to cope with difficult tasks at national level (e.g. Hoffmann *et al*, 1990; Waddington and Hoffmann, 2000). But the question is: how, under conditions of greater international capital mobility can they follow the international opening of markets and organise a solidaristic policy across national borders?

A highly heterogeneous scenario

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

Firstly, the importance of the company level increases within those firms active on an international scale (Pries, 2001; Ruigrok and van Tulder, 1995; Eckart *et al*, 1999).

Secondly, the pressure on industrial relations in the nationally and regionally focused firms increases via benchmarking, outsourcing, global sourcing and the alternative placement of profits in the financial sector, not forgetting the threatened use of the exit option (Eckart *et al* 1999; Hübner, 1998; Streeck, 1997a). However, Traxler *et al*, (2001) stress that the direct effect of internationalisation processes on national industrial relations remain limited. Increased or potential exit options provide employers with greater power in relation to their associations, which in general have weaker organisational structures than trade unions (Traxler *et al*, 2001).

Thirdly, the ambivalent process of convergence and divergence will be paralleled by a process of divergence within the respective national labour markets and consequent increasing inequality (Esping-Andersen, 1999; Katz and Darbishire, 2001).

Fourthly, both internal and external labour markets will undergo significant changes, although the hypotheses and findings in the literature differ considerably regarding the direction. Streeck (1997c) claims that as markets for high-quality products tighten with the generalisation of production requirements in globalised systems (partly with the help of IT), labour markets in the high-skill, high-quality segment, and thus skilled labour in the countries of Rhineland capitalism, will increasingly come under pressure. At present, however, the empirical evidence suggests that it is particularly the low-skill, low-pay labour markets in the EU that are coming under competitive pressure from low-wage countries (cf. European Commission, 2001). Moreover, decentralisation and benchmarking processes are leading to increased differentiation in internal and external, and also local and regional, labour markets (Eckart *et al*, 1999).

Fifthly, the local level is also becoming increasingly important, particularly for the 'global players' (Pries, 2001). Firms are likely to find it difficult to deviate from corporate 'action paths', once they have been chosen. These paths, according to Ruigrok and van Tulder (1995), open up globalisation options in very different ways. Thus, the resulting scenario is highly heterogeneous, one that indeed offers new scope for action by trade unions and works councils, provided they can recognise and take advantage of the opportunities.

National industrial relations systems

2

The conditions for collective actors (firms, employers' associations, works councils and trade unions) differ, in some cases quite starkly, as a result of the qualitatively different social institutions existing behind market processes (routines, social practices, standards, rules and expectations) in liberal market economies on the one hand and in coordinated market economies on the other. The latter is a structure that appears to be particularly called to account by globalisation processes, but which at the same time constitutes the nucleus of the European social model.

The differences between the national industrial relations systems set out in the following pages reflect these models of capitalism. This account looks first at the industrial relations actors then at the structures of and changes in national collective bargaining systems and finally, at forms of workplace representation and participation.

Labour markets in the European Union

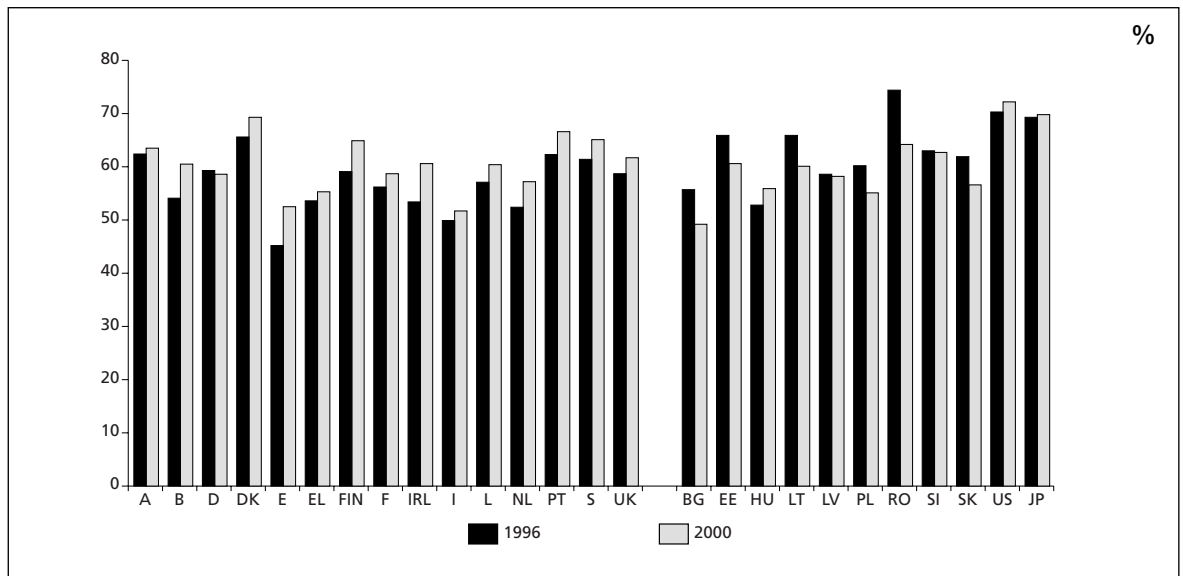
The following remarks provide a short overview of the structure and development of the labour market in the European Union in the second half of the 1990s. This will not be an analysis of the labour market in its own right, but rather an attempt to present the contexts that are important for industrial relations. Central to this will be the organisational and political context of the trade unions as actors which are particularly dependent on labour market conditions. For this reason the point of departure will be the thesis (which will go into more depth at a later stage) that trade unions are under particular pressure as a result of the process of modernisation in both the economy and society, the pace of which is being forced not least by the internationalisation and Europeanisation of markets. This is because above all they organise employees in the traditional industrial branches, based on large enterprises, of the first Industrial Revolution (mining industry, construction industry) and of the Fordist era (car making, electrical engineering, chemicals, mechanical engineering, mass consumption goods); furthermore, in gender terms they organise a particularly high proportion of male workers, whose interests are represented by 'normal employment' (full-time, permanent etc.). Also relevant is the fact that they represent the culture of manual workers or are regarded as the representatives of this culture by workers today, male and female alike. For the employers' associations this process of social modernisation also contains dilemmas; the changing nature of the European economies under the pressures of internationalisation and Europeanisation has put into question the traditional role, objectives and structure of employer organisation.

Within the framework of this well supported hypothesis (see Waddington and Hoffmann, 2000) dramatic changes emerge in labour market structures in the European Union over the last decade, which have established industrial relations on a different basis. In this connection the contribution of internationalisation or globalisation is not directly measurable (which, given the relatively low external integration of the European internal market (trade with non-EU countries represents 8—10% of GDP), would be surprising). Rather changes are taking place of an indirect kind by means of transformed competitive relations, post-Fordist methods of production (outsourcing, global sourcing), and with the implementation of information and communication technology – or ICT – and new transport technologies and tertiarisation processes which make more fluid, displace, or dissolve labour market boundaries and so bring into being new forms of organisation. The following section will statistically ground and comment on the essential developments on the basis of the most recent report of the European Commission (European Commission, 2001).

The relatively high stability of industrial relations in the European Union in the post-war period is essentially due to the post-war consensus between employers and employed on the basis of a successful Fordist model of production, relatively homogenous trade union membership, primarily in production plants of large enterprises, and active state intervention in the national economy (Crouch, 1994; Crouch and Streeck, 1997). In European countries, as a rule, the core of trade union organisation was formed by male (industrial) workers, often qualified as skilled workers and employed in accordance with the model of full-time working ('standard employment relationship' – see Mückenberger, 1985). Since the middle of the 1970s this organisational basis has increasingly been changing as a result of economic and social tendencies and ruptures ('megatrends') to the detriment of the trade unions' ability to organise: the internationalisation of the economy, new 'post-Fordist' methods of production, and the tertiarisation of economy and society have been leading to transformed industrial relations in which the trade unions find it more difficult to develop their organisational power as against the employers (more details will be given on this at a later stage). This is clear from the changed EU labour market structures of the 1990s.

In general it can be said first of all concerning the development of labour markets in the EU that, with the exception of Finland, employment in all member states has increased over the last 20 years, and that this trend has strengthened over the last five years: 'with the exception of Italy and Germany since 1995 the member states of the European Union could point to constant GDP and employment growth... [In this connection] the number of full-time jobs [increased] more rapidly than the number of part-time jobs' (European Commission, 2001: 19). At the same time an increase in fixed-time employment could be observed in almost all member states – with the exception of Spain, Denmark, the UK, and Ireland (European Commission, 2001: 19).

Figure 10 Employment rates, 1996-2000

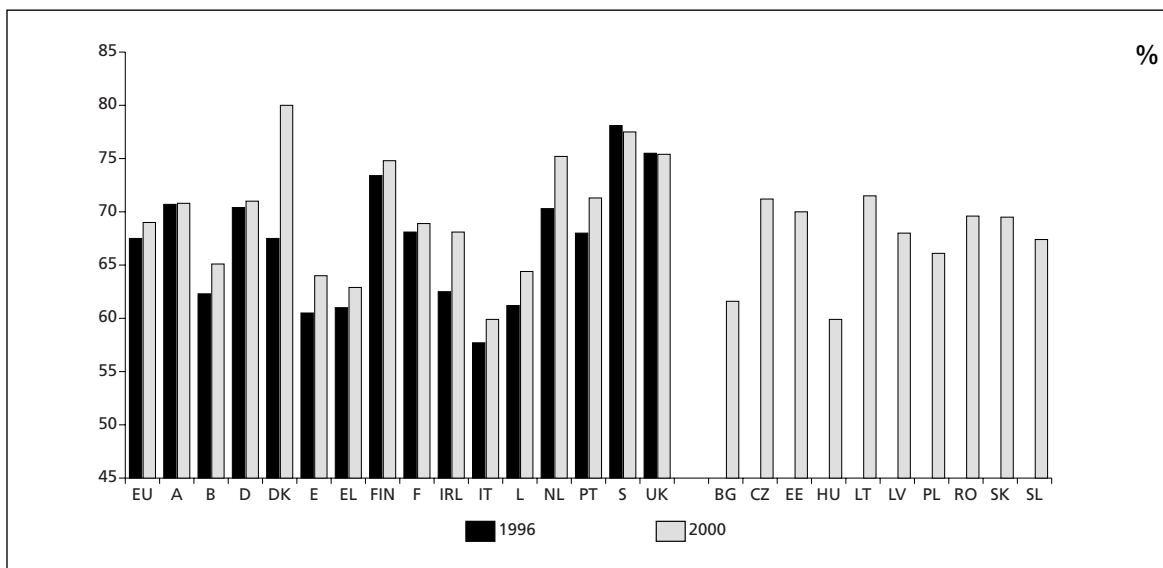


Source: European Commission, 2001

For the last five years it has been the case that the notoriously low, if compared with the USA, participation rate and employment share have increased – the activity rate 68% (1991) to 69% (2000) and the employment share 62.2% (1991) to 63.3% (2000) (see Figures 10 and 11); in this

connection employment shares increased even more rapidly than activity rates, which led to a reduction in unemployment. In total, in the period 1995—2000 10.5 million new jobs were created alone, of which 6.2 million were taken by women and 4.3 million taken by men. However, the EU average activity rate of women remains 18% below that of men at 59.9% (in Sweden the discrepancy is only 3%, while in Germany it is 15% and in Greece and Spain over 30%). The increase in female employment is also closely linked to the (slight) rise in the rate of part-time work (to 18% in total), and the same goes, although to a lesser extent, for employment based on fixed-term contracts, whose share of employment as a whole has risen to 13.2%: 14.5% of working women and 12.5% of men in the year 2000 were employed under such conditions. Despite increasing employment and activity rates unemployment remains high in the EU member states, albeit it continues to be extremely differentiated, ranging from 2% in Luxemburg to 14.1% in Spain. The high structural unemployment rates in much of continental Europe represent a persistent problem. The unemployment rate of women is higher than that of men, and the unemployment rate of young people is strikingly high in some countries: e.g. in Italy, Greece, Spain and France it is over 20% (if measured as a proportion of the working population).

Figure 11 Activity rates, 1996-2000



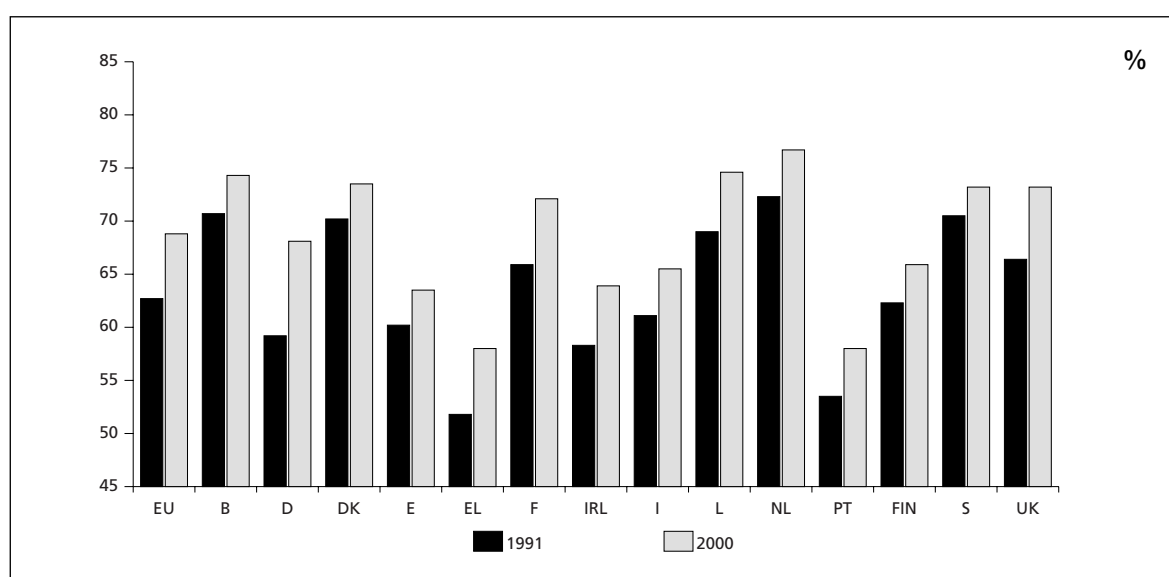
Source: European Commission, 2001

At the same time, places of employment are changing dramatically: alongside the rapid growth of the service sector, which on average accounts for two-thirds of total employment in EU member states (see Figure 12), the number of small and medium-size enterprises (SMEs) is also growing. Furthermore, a disproportionately high number of women are employed in the service sector (see Figure 13): 70% of low qualified and 90% of highly qualified women. In general this sector is characterised by a particularly high proportion of persons with average or above average qualifications. In addition, the number of self-employed has also increased alongside the growth of the service sector. Over half of all enterprises in the European Union are, according to the European Commission (2000b: 10), without paid employees.

In the last five years alone two-thirds of newly created jobs were in the most rapidly growing sectors, which again were mostly in the female-dominated service sector: 40% in health care,

education and social welfare; 25% in the area of general services; and 10% in data processing and data bases, and in the European and international high technology sector. The latter sector, which includes a high proportion of information and communication technologies (ICTs), is showing the highest employment growth at the present time, and in this connection includes traditional branches of industry, which are showing a high level of modernisation: chemicals, electrical engineering, mechanical engineering; data processing equipment, production of high tech medical equipment, vehicle building; research and development in general; communications engineering etc. In these high technology sectors 11.7% of the EU working population are employed, with Germany at the top with 14.3% and Greece bringing up the rear with 3.9%. One-third of the EU working population is employed in 'knowledge-based' service branches (45.9%, in Sweden 19.7% in Portugal, in Germany, because of its relative backwardness as regards services, the figure is a little over 30%). The 'knowledge-intensive' sectors (shipping, aviation, training and teaching, transmission of news and information, the banking industry, insurance, R&D, data processing, business services etc.) accounted for half of the total growth in the period in question – which again underlines the importance of qualifications for future employment opportunities. The proportion of sectors (largely identical with knowledge-based sectors) in which qualifications are a particular requirement (data processing, R&D, business services, training and teaching, health care and social welfare etc.) ranges from 38.3% (Sweden) to 15.7% (Portugal); Germany stands at 24% in this regard, the UK at 30%.

Figure 12 Employment in the service economy

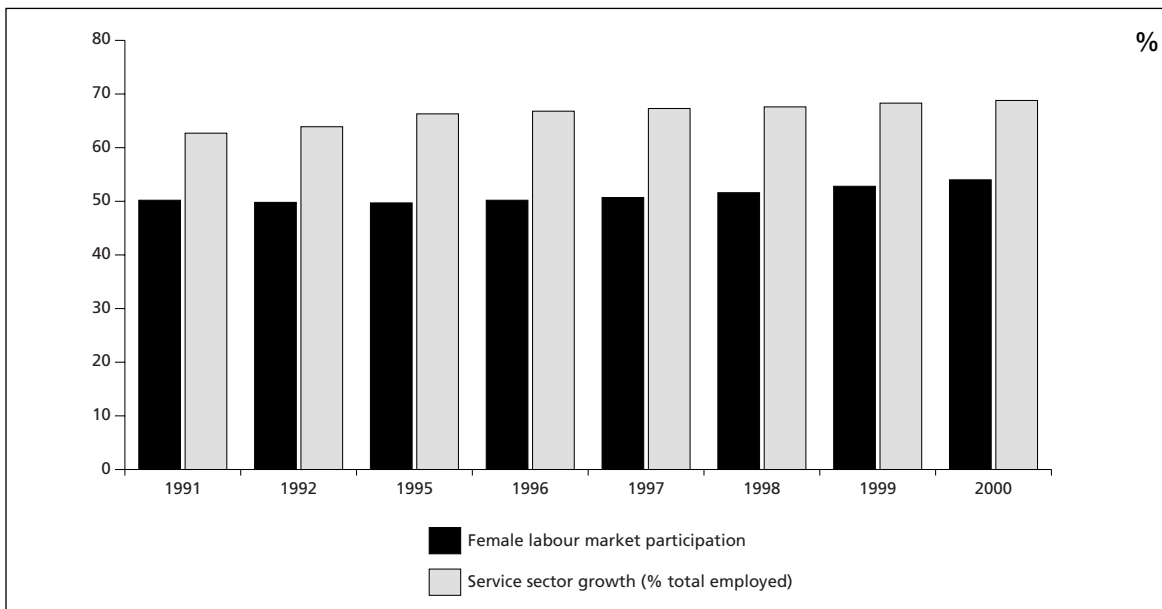


Source: European Commission, 2001

Interpreted in terms of labour market theory it becomes clear from these development trends that the qualifications-based and gender-based part-time labour markets, together with the development of personnel and enterprise related service sectors are becoming increasingly strong and are differentiating themselves from the 'classical' industrial labour markets (the domains of representation of the traditional trade unions). This is even the case for those areas which statistically remain in the industrial sector, but which – as part of the high technology industry – have little in common with classical industrial work. In so far as trade union industrial policy continues in these enterprises this should not pose problems for the political capacity of the trade

unions and of works councils, shop stewards etc., as recent studies show (see the summary by Schmierl, 2001). However, this is no longer the case for enterprises which, as part of the industrial sector, are newly founded (so-called 'start ups') and as a result trade union organisational and political traditions can no longer be recognised among the new employees. Here there is every chance that voluntary or individualistic representation options beyond classical representation approaches will assert themselves, which can also be linked to new forms of management policy (team-work, quality control circles etc.), and define a new type of labour relations. These trends are also connected with the trend towards orienting collective bargaining more strongly towards the enterprise level (see European Commission, 2000b, p. 41). The 'bias' in the industrial politics in favour of the employers could in this way – also independently of the potential risk of the 'exit option' through internationalisation – be strengthened further.

Figure 13 Female labour market participation and female service sector employment



Source: European Commission, 2001

The structuring of labour markets in the EU member states traced here must – looking at modern labour sociology research (theory of labour market segmentation: Sengenberger, 1987) – be explained in supply-side terms in relation to the structure of labour supply. Here particularly the social modernisation process should be emphasised as a social driving force, which has up valued the labour of women and through which in turn interest in part-time work or atypical employment (on the basis of family relations which remain predominantly patriarchal and considerations of parenthood) has increased (Hantrais and Letablier, 1996; Hantrais, 2000). At the same time, on the demand side for labour, the side of enterprises, the connection of new technologies with post-Fordist production processes and management strategies of internal and external flexibilisation has loosened or completely destroyed the close link between working time or workplace and the production process. As a consequence of flexibilisation of working time there is increasing use of part-time working by enterprises (in order to keep variable costs low) and of new forms of employment, from tele-working to semi self-employment. These new forms of employment culminate in the service and high technology sectors and are also linked with medium and highly qualified workers.

Deriving one consequence for the situation of industrial relations in Europe from this brief review it would be the following: in relation to the initial thesis, trade union organisational capacity – on the basis of the changes in the labour market towards service activities, female work (feminisation of the labour force, etc.), part-time work and atypical employment, small firms and knowledge-based activities – will be weakened if it turns out that trade unions are incapable of either addressing these new groups or of adapting themselves to new labour market conditions. Something similar holds for the organisational capacity of employers' organisations in relation to small companies and the new self-employed, even if this is less dramatic from a political standpoint. In this connection the fact has not been considered in relation to the trade unions that in these labour markets the potential threat of the employer in terms of the 'exit option' has grown through the internationalisation of economic relations and that also naturally the possibility exists to insert the 'new' employee strata, who are often oriented towards individual performance, in new production models and play them off against the 'old' employee strata. The fact that the gender issue cuts across these new conditions of industrial relations in a dramatic new way can be seen from the figures and will be one of the central challenges of the next decade for the male dominated European trade unions and employers' organisations.

The national states and the European Union have been peculiarly challenged, as political actors simultaneously by the labour market developments outlined above. Firstly, the states' traditional instruments of demand-side employment policy have been systematically curtailed by internationalisation and Europeanisation. Secondly, supply-side instruments (such as structural and regional policies, education and research policies) and cost containment inspired by neo-liberal policies could neutralise each other and would have different implications for labour markets in the short and long term. Thirdly, in Bismarckian states, population ageing and the relatively low employment share collectively produce financial dilemmas for national policy-makers. The number of those receiving social transfers is increasing faster than the financial basis of the social security systems can handle; this financial base is simultaneously decreasing as a result of stagnation in the labour market. However, an increase in social contributions to cope with this dilemma would directly impact on the level of unit labour costs, and jeopardise national comparative advantage.

Industrial relations actors

Business

In 1980, Kochan proposed that 'management is the driving force in any advanced industrial relations system' (1980: 179); however, the overwhelming conclusion of this literature review is that the literature on organised business interests is limited in nature, not qualitatively but quantitatively. Social researchers have periodically discussed this scarcity of empirical debate; in the 1970s and 1980s interest in the logic of collective action drew some attention to organised business interests (Offe and Wiesenthal, 1980; Schmitter and Streeck, 1981). The issue has only been fully tackled in recent years by interest group and interest representation theorists (e.g. Greenwood, 1997), and a small number of industrial relations scholars. These scholars have identified a number of key variables in the nature of different organised business interests (Vatta, 1999):

- The status of labour and capital, and their interrelationship (Offe and Wiesenthal, 1985);

- The interaction between external and internal power resources of business interest associations (Van Waarden, 1991; 1995);
- The evolution of contemporary capitalism (Streeck, 1987; 1989; 1992);
- The tensions between governability and associability (Traxler, 1993; 1995).

When assessing the strength and number of organised business interest associations researchers have generally used density indicators, measuring the difference between actual and potential members (Traxler, 1995; 2000). There are two possible ways to measure the density of business interest associations: the number of firms or the number of employees covered (firm size). Traxler (2000) provides a thorough analysis of principal national employers' organisations in Europe using the second method of density calculation (see Figure 4). He identifies a number of intervening factors which make the study of organised business interests complicated. For example, the existence of, and need to distinguish between, trade associations and employers' associations within peak organisations. The former are primarily concerned with members' product-market interests, while the latter aggregate labour-market interests, plus to complicate the picture further mixed organisations often co-exist with single focus organisations. Thus, the process of analytical differentiation is complex.

In terms of regional comparison, there are a number of distinguishing features of the European model of organisation, these become apparent when comparisons are made with the United States and Japan. European business interests are far more coherently organised than American business interests. As indicated in Table 1 employers' organisations in Europe are strong in terms of membership, although there is some diversity. US employers' organisations are relatively unimportant in the industrial relations system (Adams, 1980), since bargaining where it is conducted is on the company or more commonly the office/factory level. Therefore, the primary motivation behind business interest organisation in the US has been collective opposition to worker organisation, and trade unions. Union-busting has been a strong feature of the US industrial relations system throughout the Twentieth Century, and was the primary motivation behind the establishment, and activity of employers' organisations such as the National Association of Manufacturers and many regional Chambers of Commerce (Kochan *et al*, 1986; Wheeler and McClendon, 1998). In most EU countries, however, there is little incentive for employers to follow in the footsteps of their American colleagues since the presence of multi employer bargaining, often supported by legislation, ensures that employers incur similar wage costs. Only by relocating outside a particular regulatory regime is an employer able to significantly change these circumstances (Waddington and Hoffmann, 2001: 58).

Labour

The trade unions, unlike the employers' federations, have encountered considerably more interest in industrial relations research (Durand, 1996; Leisink *et al*, 1996; Mückenberger *et al*, 1996; Pasture *et al*, 1996; Regini, 1992). Essentially these studies examine the trade unions' ability to face the future in relation to central collective bargaining and workplace representation concerns and the unions' strategic and ideological reorientation under conditions of changed labour markets and changed production structures based on new technologies. The literature confirms the existence of widely differing types of trade union structure and culture to which the national fields of action remain for the most part confined. Most studies focus principally on the confederations.

Only a few look at changes in individual sectors of the economy and the associated challenges for individual trade unions (Rigby *et al*, 1998). Considerable attention has been given to organised labour interests in relation to the differences between the private and public sectors, particularly against the background of the continuing need for modernisation of the public services (Bach *et al*, 1999; Hemerijk and Huiskamp, 2001).

Table 1 The principal peak employer organisations: density*

Country	Name	Density 1991-93**
Austria	WKÖ	100
Belgium	VBO/FEB	72
Denmark	DA	42
Finland	STK (e)	42
France	CNPF (d)	75 (c)
Germany (b)	BDA	73 (c)
Ireland	FIE (g)	38 (c)
Italy	C	38
Netherlands	VNO (h)	79 (f)
Norway	NHO	32
Portugal	CIP	34 (f)
Spain	CEOE	74 (c)
Sweden	SAF	54
Switzerland	ZSAO (a)	36
United Kingdom	CBI	54 (f)
Country average		56

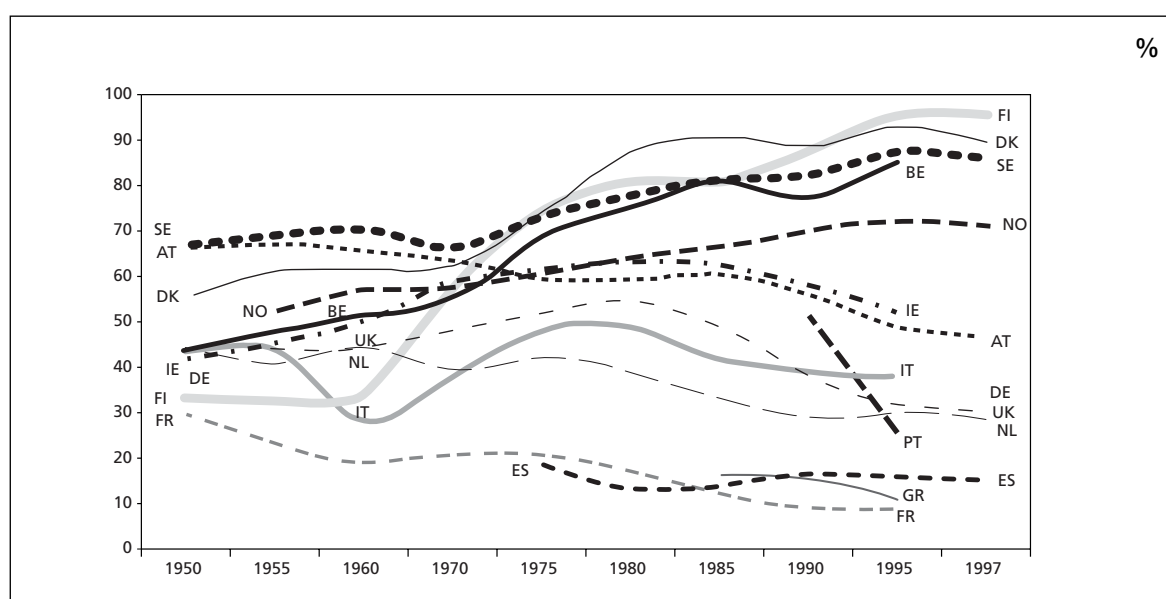
* Density in terms of employees within the organisation's domain.

** Period averages.

(a) ZSAO renamed SAV in 1996, (b) West Germany, (c) Average for 1990-95, (d) CNPF renamed MEDEF in 1998, (e) TT from 1994 onwards, (f) 1995, (g) IBEC from 1994 onwards, (h) VNO-NCW from 1995 onwards.

Source: Traxler, 2000: 310

Figure 14 Evolution of trade union density



Source: Ebbinghaus and Visser, 2000

Membership trends, and thus the representativeness, of the social partners are a decisive variable for the effectiveness of industrial relations. Particular attention has been paid in recent literature to trade union density trends. In most cases the emphasis has been on critical reflections on 'the future of the trade unions', pointing to membership losses and the problems encountered in organising new groups of workers. With respect to trade union density, an additional gap in the literature is the lack of more differentiated data, for instance, with respect to age, sex, occupational group, type of employment relation, etc.

Figure 14 clearly points to two major trends. Firstly, membership and density tended to rise between 1955 and the late 1970s, albeit at different national rates, followed by decline in most countries during the 1980s and 1990s. The end of the post-war boom during the 1970s marks the beginning of a period of contraction in the level and rate of unionisation. Belgium, Denmark, Finland and Sweden are the exception to this general pattern of development in that membership has increased. A second feature in the trend of unionisation is that the range of union densities among the countries has tended to increase since 1950 (Waddington and Hoffmann, 2001).

Behind this data, five interlinked characteristics can be identified:

- Men are more likely to be organised in trade unions than women;
- Union density is much lower among younger workers than among older workers;
- White-collar workers exhibit a lower union density than their blue-collar counterparts;
- Union density rates are relatively low among foreign workers and those belonging to ethnic minorities;
- There are substantial differences in sectoral union densities, which are generally higher in the public than in the private sector. In private services – the sector in which employment is expanding – unionisation tends to be relatively low.

Countless explanations are offered in the literature for union membership trends. In many countries the decline is due primarily to structural changes in the economy (for national case-studies see Regalia and Regini, 1998; Fitzenberger *et al*, 1998). The literature also points to increasingly heterogeneous life-styles and a marked trend towards individualisation resulting from economic structural change and the general improvement in living standards (higher educational levels, relative material affluence). This, in turn, has served to broaden the spectrum of interests (Inglehart, 1989; Hoffmann *et al*, 1990). One of the implications of this is that the trade unions' potential organisational base has become much more diverse, in both cultural and socio-economic terms (Leisink, 1997; Pasture, 1994). Ultimately this is leading to the dissolution of traditional working-class milieus and a decline in the ability of unions to aggregate workers' interests and tie them into an organisation. Another explanatory approach points to the growing opposition to trade union organisation by employers. Particularly in the US, this is often considered to be one reason for the fall in trade union membership (Kochan *et al*, 1986).

The literature on the development of trade unions and industrial relations in Central and Eastern European countries is extremely patchy and presents various arguments to account for the manifest weakness of the trade unions (Ost, 2000; Kollonay and Ladó, 1996; Frege and Tóth, 1999; Deppe and Tatur, 1996; Weiss, 2002). The reform of traditional trade union organisations and the

emergence of new independent trade unions have contributed in some countries to extreme trade union pluralism. Only gradually has a cautious process of rapprochement and stronger cooperation among the trade union confederations taken place (Fisera, 1997).

Association structures and modernisation of organisational structures

The far-reaching processes of structural change on labour markets – i.e. the increasing importance of the service sector and small and medium-size enterprises, growing female employment, and the growth of new, atypical employment relations – along with marked falls in membership, have substantially increased the pressure on trade union organisations to modernise. Trade union mergers are a central element in the response. Although the very considerable diversity in organisational forms means that many specific factors and aspects need to be taken into account, at least four main trends can be identified that are characteristic of recent developments in a range of European countries (Waddington and Hoffmann, 2001).

- Trade unions representing workers in old industries are being taken over by larger organisations. Usually the decisive motive here is that formerly large organisations no longer have the potential membership base they need to ensure their independence. Mergers with larger organisations are the only way to retain the workers remaining in these industries as trade union members (Waddington, 1995);
- Depending on the extent of merger activities the role and functions of the peak federations are undergoing substantial changes and, ultimately, may be called into question altogether. In historical terms, peak federations had the task, among others, of supporting small unions, either in the form of services or via financial solidarity. The subsumption of small unions by larger organisations decreases the necessity of such support activities, leading to changes in the traditional support function of the peak federations. Thus, parallel to the mergers there is also a shift in the internal balance of power between the affiliate trade unions and the peak federation (Streeck and Visser, 1998; Waddington and Hoffmann, 2000);
- Also characteristic of the reform of union organisational structures is the dissolution of regional/sectoral collective bargaining units. This is particularly evident in Denmark, where since the start of the 1970s there has not only been a 50% decline in the number of unions affiliated to the peak federation (LO-DK), but the trade unions have also set up five collective bargaining cartels that conduct joint negotiations along the altered sectoral lines of demarcation (Lind, 1995);
- The reform of union structures is occurring exclusively at national level. Although the need for cross-border European reorganisation is increasingly recognised, no concrete examples are to be found in the literature (Hoffmann and Waddington, 1998).

Table 2 provides an overview of the restructuring of the trade union landscape in Europe. In spite of the still profound differences between countries, the overall trend towards trade union concentration is unmistakable.

Declining membership and membership structures that often reflect the labour market structures of the 1960s, together with the financial constraints implied by these trends, are forcing unions to overcome traditional demarcation lines. In addition the ongoing process of structural change

means that the structures of industrial unionism, developed in most countries in the years following the Second World War, no longer meet requirements. On top of this comes the fact that the decentralisation associated with globalisation places new demands on (a) international trade union work and (b) collective bargaining policy (Industrial relations sectors p. 20) (Waddington, *et al*, 1997). All trade unions in Europe face the challenge of having to act at the international level to a much greater extent than before, but global/international aspects are virtually absent from unions' reform efforts.

Table 2 Number of trade union affiliates in some west European peak federations, 1950-2000

	Confederation	Number of organisations			
		1950	1970	1990	2000
Belgium	FGTB	17	14	12	9
	CSC	17	19	24	17
Germany	DGB	16	16	16	11
	DBB	13	27	34	1
	CGB	1	13	17	
	DAG	1	1	1	
Italy	CGIL		31	20	14
	CISL		39	22	18
	UIL		33	30	22
Sweden	LO	44	29	23	20
	TCO	42	23	20	18
	SACO	[58]	48	24	26
UK	TUC	186	142	74	78

Source: Ebbinghaus and Visser, 1996; ETUI 2000

State functions in the national industrial relations systems

Most of the literature in the field of industrial relations is concerned with relationships between the social actors – the role of the state is significantly underdeveloped. Nevertheless, there are a few important contributions to the issue of the role of the state in the field of industrial relations (e.g. Bean, 1994; Bamber and Lansbury, 1998; Keller, 1997; Keller, 2001; Traxler, *et al*, 2001).

The state as legislator

The state (sub divided into government, legislature, and administration, at different levels: national, regional, local) is directly involved in the industrial relations systems as an environmental regulator, through the establishment of legal frameworks and ground rules (see Kauppinen, 1997). In addition, the legislative capacity of the state has also an indirect influence on industrial relations through legislation in the fields of labour market, social, and economic policy. However, the most important direct influences are:

- In most developed industrial nations more or less sophisticated systems of individual and collective labour law exist to regulate relations between capital and labour;
- In some countries (e.g. the US, Denmark, Sweden, and Australia) the government is responsible for providing mechanisms for 'conflict resolution' (e.g. mediation, conciliation, voluntary or compulsory arbitration), between trade unions and employers (and/or their associations). The

state may also regulate other forms of procedure, e.g. prohibiting some forms of strikes or strikes within a certain period (peace obligations exist in Germany and the Nordic countries).

- The state may also enact rules about substantive issues (e.g. minimum wage in the US, France, UK, Ireland, Belgium, and Luxembourg; standards of working conditions, etc.). According to Traxler *et al* (2001: 178–183), substantive regulation by the state can take the following forms:
 - a. Non-interference, i.e. the state decides to leave negotiations on content and procedures to the social partners (trade unions and employers), only regulating the boundaries (freedom to engage in collective bargaining) as is the case in most EU countries;
 - b. State-imposed regulation in which the state decrees wages unilaterally (e.g. in the Netherlands during the 1970s);
 - c. State-sponsored regulation in which the state assumes the role of a bargaining party that negotiates with one (bipartism) or two (tripartism) parties.

The state and its jurisdiction

In some countries, the role of the state in regulating substantive and procedural issues is not confined to the legislature, but extends to the courts; labour courts in particular play an important part in establishing the national ‘web of regulation’ (cf. Blanpain, 2000; Swabey and Bogart, 2001). However, labour courts do not exist in all countries; in some countries labour issues are decided in civil courts (e.g. the Netherlands).

The state as process facilitator

In some countries the state performs the function of process facilitator between the social actors.

Process coordination can take three different forms:

- Conciliation: the process in which an independent third party assists the reconciliation of disputes;
- Mediation: the process in which the independent third party plays a more active role by proposing solutions to the parties in conflict;
- Arbitration: this is different from the two other forms in that it involves the transfer of responsibility for determining settlement terms to the third party, on a voluntary or compulsory basis.

In particular, governments in corporatist settings play combinations of these different roles in order to foster dialogue between the social partners through macroeconomic concertation (e.g. employment pacts, alliance for jobs). In the Nordic countries and in Belgium a government official functions as an independent chair in case of conflict between the social partners and can propose solutions to this conflict. However, the final decision is taken by the parties themselves. The state provides the framework – e.g. autonomy of collective bargaining in almost all countries (except Denmark) for employer/trade union relations – but the specific content (i.e. specific negotiation procedures, wages, and working conditions) is determined by the social actors themselves (cf. Blanpain, 2000).

The state as employer

In addition to the above-mentioned roles of the state in most countries, the state is also an important employer in the public sector and thereby influences, albeit indirectly, also labour relations within the private sector (e.g. wages, working conditions, etc.). Although the level of employment in the public sector in some countries due to privatisation of public services has declined during the last three decades – e.g. in the UK – public employment has increased in other countries (e.g. Portugal and France). The level of public employment is historically very high in the Nordic countries and very low in the Netherlands and Italy, a fact that is related to their specific models of capitalism (see the discussion above).

The state as nation state in the process of globalisation

The role of the state in the economy and in relation to industrial relations has been called into question, both quantitatively and qualitatively, at least since the structural upheavals undergone by the international economy in the 1970s. As a result of the increased flexibility of international flows of capital in the wake of the collapse of the Bretton Woods System (1973), the developing international debt crisis following on from the international economic crisis of 1975, the general liberalisation of world markets, and the formation of multinational companies and global players, the exit options enjoyed by firms in relation to nation states have increased (see below). Classic welfare state systems, in particular, in which the cost of the welfare state, directly levied in the form of insurance contributions (so-called Bismarckian welfare states), raises the cost of labour, come under pressure from international wage cost competition (see also Sykes *et al*, 2001).

Concurrently the rigid protection provisions (particularly protection against dismissal) governing employment in the low-wage labour market appear as a competitive disadvantage in comparison with more flexible low-wage economies, with the consequence that unemployment in the core European economies comes to be concentrated particularly in the sector of low skills and/or low pay. A higher degree of regulation appears, in the perspective of the increasing flexibility of world markets, as a disadvantage in the international battle for competition, though such a view makes sense only if we neglect the different ‘models of capitalism’ (Coates, 2000; Hall and Soskice, 2001) and social systems (Esping-Andersen, 1990).

Both the welfare state model and also the model of state-regulated industrial relations in the continental EU member states come under pressure – according to several authors who endorse the ‘strong globalisation’ thesis (see below) – from more intensive international competition. The same is held to be true for the economic activities of the state, for a Keynesian-inspired policy attempt to steer aggregate demand, as was attempted, for example, in Germany between 1967 and 1973 and in France under the first Mitterrand government, very quickly reaches the point, quite apart from its intrinsic limits, where it can be undermined by the international exit options available to capital owners.

What conclusions are drawn in the literature from these (alleged) links and what role thereby falls to the newly arising quasi-state institutions such as the European Union, as a ‘would-be state’? The position adopted in the literature here appears unequivocal: precisely those who adopt a ‘strong globalisation thesis’ – and who, to date, account for the majority of all contributions on this subject – draw the conclusion that, under such circumstances, nation states will successively lose their functions of embedding the economy and redistributing wealth within society, so that the question then arises of whether and how the ‘unleashed capital flows’ will become embedded once more at

new levels in the international arena, and to what extent the resulting institutions of 'global governance' can once again be made subject to democratic controls. In this process, macroregions like the European Union undoubtedly come to be seen as the locus for a new form of regulation, albeit with the proviso that given the diversity displayed by forms of national capitalism and the diverse composition of multinational institutions, the prevailing trend would be in the direction of the smallest common denominator, reverting to a situation in which the liberalisation/deregulation option once more comes to appear ideal, acting as a further objective constraint on national societies.

Zürn (1998) and Held (1995) develop, for example, in their analyses of the role of the state and democracy in the process of globalisation, some initial ideas for a 'cosmopolitan democracy', and the discussion on 'global governance' and 'codes of conduct' is here in many respects further advanced than the sceptics would have us believe. A forceful counter-argument remains that integration/regulation of international capital flows by the existing institutions (WTO, IMF, World Bank, ILO, etc.) can, in political terms, be done only 'negatively' (through liberalisation) and not 'positively' (see above), and above all that it is hardly feasible for democratic controls to be exercised by this kind of international institution and governance structure given the lack of a 'sovereign' in a position to carry out such controls, and/or a 'we-identity' (Scharpf, 1998) as a prerequisite for democratic legitimation (a similar position is developed by Offe (1998) in relation to the European Union). US authors, in particular, argue (Cohen and Rogers, 1998), that the continental European welfare state cannot be preserved under conditions of globalisation, a view which they support not on economic grounds alone but also with reference to the resulting social inequalities and costs. Instead they posit a new relationship between markets as loci of efficient allocation and a social policy which provides supply-oriented assistance in getting to grips with the performance demands of the market, rather than correcting the distribution of outcomes after the event. Such critics of the welfare state might well be asked to what extent they are using as their reference point a certain model of 'liberal market economies' (LMEs, see Hall and Soskice, 2001) or market-led capitalism, and are failing to see that the European welfare state models existing in 'coordinated market economies' (CMEs), e.g. Scandinavia or the Dutch welfare state, do not after all have such a bad record of performance in global comparison; indeed on the contrary, it is these welfare state models which display on average high or even higher productivity than those in LME countries.

Empirical analyses of the relationship between globalisation and welfare states of the continental European variety show, in any case, that these conclusions are at least premature, just as it is also true that the globalisation processes themselves (see below) can definitely not be adequately summed up using the 'strong globalisation' thesis. A series of empirical studies published by Sykes *et al* (2001) show that globalisation processes have no 'direct and essentially similar impact' on the national welfare state systems, and that, in some cases, the ideological contribution of neo-liberalism that has become hegemonic as a result of globalisation discourse – has had an impact on national discourses about the reorganisation of welfare states at least as significant as the effects exerted by economic internationalisation processes and the 'exit options' thereby entailed for firms. Since the national systems are variable in the extreme, the internationalisation processes affect them in an equally variable manner, which means that it is a matter for European Union politics and national politics to influence the extent and manner in which this pressure affects the national systems: 'politics matters'. In particular, the welfare states of the Bismarckian type (Germany, France, Belgium, Austria), with high non-wage labour costs and relatively rigid labour market and

working time regulations, are more strongly affected by globalisation influences., The Nordic states regard their own well-developed welfare state systems as a competitive advantage, while for countries of the liberal capitalism mould (LMEs: UK; Ireland) globalising processes can be dismissed as economic processes. In short, it is at the present time impossible to offer any generalised and once-and-for-all assessment of whether and how globalisation processes affect welfare state protection systems; in any case, at the time of compiling this review it is too early to speak of a development towards a disastrous race to the bottom and the putting in place of a 'national competition state' (Hirsch, 1995) as the new type of state.

Over and above this issue, there is the further question of whether the nation state in general really does lose its functions as a result of internationalisation processes, whether it becomes powerless? It is undoubtedly the case that, in the process of Europeanisation, the state's functions change: in particular, certain powers are ceded to the EU or even to the WTO, etc., while at the same time the regional level below the nation state is gaining in significance. But does it, in general terms, lose its significance?

Saskia Sassen has pointed out that it is the nation state which represents the decisive institution that provides the background and underlying structures for the process of economic globalisation, that only through policies conducted by nation states has, for example, the globalisation of finance flows become possible, and that in the process of globalisation the nation state transforms its sovereignty in that it (in our case the European Union would have to be included here) devises and implements new legal arrangements to regulate the economy, which are the prerequisites for cross-border business practices (Sassen, 1998: 345ff.).

Streeck (1998a) goes even further and points out, in response to a group of authors (Scharpf, Putnam), that merely focusing on the relationship between internationalisation/globalisation and the nation state is not an adequate way of considering the new role of the nation state: internationalisation of the economy may well serve to reinforce the bodies of the nation state, in particular the executive, at the cost of parliamentary control and democracy:

Internationalisation (...) strengthens the nation state because it gives impetus to an international alliance of national executives which enables them to 're-import' their preferred policies as the results of international negotiations and in this way to present them as unassailable national obligations. However, to the extent that the parliamentary formation of will is taken away in the countries involved and the power of nationally organised interest groups is cut back, internationalisation strengthens the national state and government at the cost of parliamentary and associative elites and hence, insofar as these are the last guarantees of democratic participation, at the cost of nation state democracy. (Streeck, 1998a: 12)

This result, of considerable import in relation to industrial relations, applies in a certain manner also to the relationship between the European Union and the nation states, which raises all the more forcefully the question of how the EU can be democratically controlled – a possibility which Offe (see above) denies, arguing precisely on grounds of the lack of a 'we identity', but which other authors – Scharpf, for instance, being cautiously positive – take to be not impossible. This reveals an astonishing negligence of the role of supra-state associations in the EU and beyond, which may be applicable in the current situation but is not an assumption that can be extended in linear fashion into the future.

Collective bargaining

A number of factors determine the level at which collective bargaining takes place in a particular culture. One key factor, inevitably, is the preferences of the key actors within the system, the employers and their associations, the trade unions, and, in some cases, the government, which may be a key player in establishing the political environment within which the system develops, especially if a corporatist ideology is dominant. National institutions also influence the level of bargaining (Coates, 2000; Crouch and Streeck, 1998; Hall and Soskice, 2001). Ultimately, the pattern of national collective bargaining is diverse and complex (McIlwee, 2001).

In some countries negotiations are possible at multiple levels (e.g. Italy where there are three levels). Collective bargaining can broadly be clustered into those systems with multi-employer bargaining at national or industry level and other systems with single-employer bargaining occurring at lower organisational levels, from company to workshop levels (McIlwee, 2001). The former, in which employer associations and sectoral trade unions conduct industry-wide bargaining on behalf of their members, can be found in many European countries (e.g. Germany, France, Italy, the Netherlands, Sweden, Norway and Finland). In a smaller number of countries cross-sectoral arrangements exist between employer and trade union confederations (e.g. Austria, Norway, Sweden and formerly Germany and the Netherlands) (McIlwee, 2001). Since the 1990s a process of rapid transformation of industrial relations in Central and Eastern Europe has also been taking place in terms of adaptation of the previous centralised command economies to the new political, economic and social realities.

In the United States and Japan, collective bargaining is traditionally conducted on the company level, although in Japan the shunto system performs a coordinating role. Some scholars have considered this decentralisation as an advantage because of the flexibility and adaptability resulting from it in post-Fordist production structures. In liberal market economies without a strong regulatory frame, disorganised decentralisation has been pursued under the guise of improved efficiency (Traxler, 1995). In terms of the European social model, collective bargaining at the sectoral level performs better because it limits wage competition (and some forms of labour market regulation), ensuring a higher level of social cohesion. Simultaneously, national institutions in continental Europe have obliged employers to choose high-qualification, high-quality and therefore, high-wage production, this in turn leads to a dependence on the same national institutions.

During the last two decades a broadening of the collective bargaining agenda can be observed (e.g. the inclusion of life-long learning, early retirement) as a result of specific labour market needs and problems; while, as a result of European integration (via EMU), room to manoeuvre on wage aspects of national collective bargaining has contracted.

Centralisation vs. decentralisation: between deregulation and social pacts

Over the past two decades European bargaining systems have experienced trends of both centralisation and decentralisation. This is a theme that has been central in the industrial relations literature throughout the 1990s, and in most cases is deeply intertwined with the debate on the Europeanisation of industrial relations.

Tendencies of convergence and divergence among national industrial relations systems appear to be interlocked in a complex pattern. According to Streeck (1998b), accelerated, growing functional convergence under pressure of regime competition coexists with slow structural convergence, due to the stickiness of national institutions and the limited intervention capacities of supranational governance. Voluntarism and its new peace formula of joint competitiveness can be seen as a convergent European 'best practice model' of industrial relations. In the absence of supranational alternatives, national politics and industrial relations remain the privileged site for reregulatory responses to market expansion (Streeck, 1998b: 17–18).

Ferner and Hyman (1998a) for their part tend to stress what they call the ambiguities of decentralisation:

What we called [in 1992] 'centrally co-ordinated decentralisation' has been the major tendency [throughout the 1990s]. Decentralisation has largely taken the form of a controlled and coordinated devolution of functions from higher to lower levels of the system ... Using a similar categorisation of 'organized' as opposed to 'disorganized' decentralisation, [Traxler] finds that most European countries that have decentralised industrial relations ... have done so in a co-ordinated fashion. Thus, in Germany or the Netherlands ... opening clauses in industry agreements have become increasingly important, allowing greater flexibility of practices (notably over working time) at company level, but the principle of industry bargaining has not – so far – been seriously challenged. The disorganized decentralisation of industrial relations is marked only in the anomalous case of Britain, a pattern it shares with the USA. (Ferner and Hyman, 1998b: xvi)

According to Eichhorst *et al* (2001), there is in international comparative terms, no clear and comprehensive decentralisation trend, in the sense of plant level collective bargaining (see Traxler, 1997). Table 3 shows the centralisation and coordination in the 1990s.

Four patterns of historical development can be identified (Traxler *et al*, 2001). The first pattern might be termed 'absolute stability'. Countries belonging to this group include Austria, France, Germany, Japan, the Netherlands, Portugal, Switzerland, and the US. This stability does not exclude some changes in the modes and governability of collective bargaining.

The second pattern is that of relative stability (describing a situation in which a move away from the generally prevailing state of affairs did not last for longer than a short sub-period): this applies to Finland, Ireland, and Norway. The third pattern is represented by Italy and is characterised by cyclical shifts and the repeated supplanting of central dominance by lower levels. However, peak-level coordination remains unchanged throughout the period. The fourth pattern groups together those countries (Belgium, UK, Denmark, Sweden, and, to some extent, Spain), which have experienced a unidirectional change at the most important level. This could be interpreted as a trend towards decentralisation, but in most cases – as in Denmark, but also at least partly in Sweden – rather than as a move towards uncoordinated bargaining it can be better viewed as a step towards 'organised decentralisation'.

Table 3 Centralisation and coordination of collective bargaining in the 1990s

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

Source: Eichhorst *et al.*, 2001

The European scenario therefore appears to be much more complex, articulated, and dynamic than those of the US and Japan (in both of which stability characterises not only bargaining levels, but also their modes and governability).

Nonetheless, as stressed by Bordogna (1996) and Fajertag and Pochet (1997), in the run-up to EMU, faced with the same problems, the European trade unions have tended to adopt basically similar bargaining strategies. In other words, a few signs can be detected in many EU countries of convergence towards more coordinated and cooperative industrial relations models, and sometimes also common outcomes, even if possibly due – in the words of Bordogna – as much to increased economic interdependence as to deliberate (supranational) coordination. These signs include (a) the resumption in many EU countries of (at times tripartite) incomes policy agreements to meet Maastricht convergence criteria within a consensual framework; (b) the very similar nominal wage increases (and, to a lesser extent, also real wages) across most EU countries in recent years; (c) the development of the ‘bargained management’ of flexibility and of joint revision of formerly too rigid work rules and labour standards, but without giving way to unrestrained deregulation; and (d) the diffusion of policies of employee participation at workplace and company level, although usually without the strong legal basis typical of German and Austrian industrial democracy. For Germany, Sweden and Italy, Thelen (2001) has pointed out that the bargaining policies in these cases have been converging – while in Sweden the national level was left in favour of sectoral collective bargaining underpinned by additional bargaining on plant level; in Italy the centralised sectoral collective bargaining structures have been supplemented by the RSU (works councils) on plant level. Therefore the German model of opening clauses within sectoral collective agreements, which allow plant or company level negotiations by works councils, has become a sort of reference model for the CMEs with some national variation.

A recent literature survey on the impact of EMU on employment, social conditions and benefits reached the conclusion that there is considerable uncertainty about the possible changes once

economic and monetary union is finally in place (European Foundation, 1999a). These uncertainties relate not only to the importance of wage flexibility, geographical mobility and the possibility and size of economic shocks, but also to the changes in the behaviour of economic actors resulting from EMU's new constraints. As stressed on several occasions by both the European Commission (2000b) and various scholars, EMU cannot function unless wage formation, which is the responsibility of the social partners, functions properly. In the run-up to EMU, national social partners took the consequences of monetary union into account in their pay bargaining (Schulten and Bispinck, 2001).

Another literature survey by the European Foundation on the impact of EMU on industrial relations in Europe also provides evidence to argue that the impact is far from clear. The authors explicitly state that 'if the literature is unclear and uncertain, which is the case, it is difficult for the review to be otherwise' (European Foundation, 1999b: 64). The authors' tentative conclusion is that EMU is likely to result in very considerable restructuring with wide-ranging implications for national systems. At the same time it will encourage the 'Europeanisation' of industrial relations which will take the form of increasingly coordinated action by unions and management, primarily at Euro-company and EU sector level (European Foundation, 1999b).

It is certainly true, as recent developments in Italy, Spain and Germany demonstrate, that the medium and longer-term future of social pacts looks uncertain. However, the importance of the quite complex and nationally differentiated notion of 'tripartite concertation' (that includes social pacts but is not their synonym) should not be underestimated in the Euro aftermath. On the contrary, it can be reasonably expected that it will increasingly become, out of necessity, the most important element of Europeanisation in national industrial relations.

Whereas a number of authors regarded tripartite forms of bargaining as outmoded (Offe, 1985; Lash and Urry, 1987; Milberg and Houston, 2000) and believed that economic and monetary union would bring about an 'Americanisation' of industrial relations in Europe (Martin, 1999), social concertation has undergone an astonishingly lively and broad-based revival. Of the 15 member states of the European Union, Germany, Belgium, Spain, Ireland, Italy, Greece, Finland, and Portugal witnessed the emergence or reemergence of such initiatives during the period 1992–1998. It is clear that the prospects of monetary union acted as a catalyst for the signing of social pacts, in particular for countries likely to have difficulty in sustaining a monetary regime aiming at low inflation and a stable currency while keeping their public deficits under control (Fajertag and Pochet, 2000).

Under the conditions of structural changes in the labour markets and the persistence of a high level of unemployment in many EU member states collective bargaining policies have not only been under pressure from the EMU convergence criteria but have also been challenged by efficiency needs, in terms of employment. A number of authors, mostly economists, explain high levels of unemployment by the rigidity of wage systems and high real wages. They recommend a wage policy which does not fully use the distribution margin – based on productivity gains over several years.

With regard to possible correlations between institutional variables of the collective bargaining systems and employment/unemployment figures, the OECD (1975) found no clear evidence on the basis of rank correlations. ... The hypothesis that centralised coordinated bargaining systems exhibit a lower unemployment rate proved statistically

significant. In bargaining systems with a medium and a high degree of centralisation/coordination inflation rates were lower and income inequality was less pronounced than in decentralised regimes (Eichhorst *et al*, 2001).

Within the context of high unemployment a new generation of agreements has been reached affected by a series of profound changes, the influence of which is in many cases explicitly referred to in the agreements themselves. Among the background elements, which shaped this period, it is worth mentioning market globalisation, monetary union, and a fresh awareness of the likely effects of population ageing. Each of these factors is matched by direct or indirect consequences in respect of the labour market, wage bargaining or social security reform.

Unlike the pacts concluded during the 1960s and 1970s, in a stable economic environment of sustained growth and full employment, recent pacts have sought to accommodate the uncertainties associated with a difficult and somewhat unpredictable economic climate (see Table 4).

The post-EMU macroeconomic context is radically different from that which prevailed in the first half of the 1990s. These differences are particularly striking when one compares the period 1993–96, with the period 1998–2000 from the point of view of unemployment and the budget balance. Finally, the European agenda has changed and the debate on the Maastricht criteria has given way to other social issues, including social security and, particularly, the funding of pensions. The thesis of a consolidation of Southern social pacts into more stable arrangements, with the exception of Spain, seems not to be confirmed for Italy, Portugal, or Greece either. A new centralised agreement was not signed in Finland in 2000 and the last Irish pact shows a rather different balance of power between labour and capital, at least as regards wage increases. Table 5 draws attention to some of the differences between the situation in the 1990s and that of today.

Table 4 Main differences between the agreements signed in the 1960s, 1970s and 1990s

	Social agreements in the 1960s and 1970s	Social agreements in the 1990s
Context	National regulated economy Baby boom Accommodating monetary regime Fordism	Globalisation Population ageing Economic and monetary union Information society
Labour market	Full employment Labour market regulation	Unemployment Security and flexibility
Wage policy	Productivity redistribution	Wage restraint, competitiveness
Social protection	Welfare state expansion	Welfare state retrenchment
Institutional and bargaining framework	Centralisation Social partner-oriented	Coordinated decentralisation State-oriented

Source: Fajertag and Pochet, 2000

Concluding remarks

As can be seen from the discussion in the previous section, no clear trend is discernible towards the centralisation or decentralisation, or the convergence or divergence of collective bargaining systems. Instead, the trends discussed in the literature are ambivalent and sometimes contradictory. Direct influences on changing bargaining systems and their outputs on the part of

the so-called megatrends – globalisation, Europeanisation, technological change, individualisation, and tertiarisation – are difficult to establish.

Table 5 The post-EMU situation

Before EMU	After EMU
<i>External constraints</i>	
Unemployment, budgetary deficit, EMU	Interest rate decrease, budgetary consolidation, decreasing unemployment
<i>Themes at national level</i>	
Wage increases Consensus-building, shared diagnosis, common trade union strategy	Global wage costs, including tax, social security, pensions End of consensus on wage moderation, trade union divisions
<i>Themes at European level</i>	
Compliance with Maastricht criteria	Employment, social exclusion, pensions, open method of coordination
<i>Actors' motivation</i>	
Government: control changes in a low-growth context Trade unions: maintain their position as central actors Employers: manage uncertainty	Government: new room for manoeuvre allowing labour cost reductions Trade unions: new balance of power in some sectors and regions Employers: between decentralisation and coordination

Source: Fajertag and Pochet, 2000

However, in spite of this rather opaque picture, a few tendencies can be pinned down:

- Collective bargaining at the sectoral level is still stable and influential (e.g. in Italy, Germany, and Austria); with the exception of the UK, European states have followed a process of 'organised' decentralisation, which make sectoral agreements more flexible through 'opening clauses' or framework agreements but do not necessary endanger the level of national regulation (see Traxler *et al*, 2001; Eichhorst *et al*, (2001). Even employers have been reluctant to abolish the general structures of collective bargaining systems (Soskice, 1999; Thelen, 2000);
- After decades in which negotiations about wages were at the centre of collective bargaining, the scope of collective bargaining has increased substantially during recent years, taking into consideration new issues such as new forms of working time, parental leave, life-long learning, early and phased retirement, etc. (see Boulin and Hoffmann, 1999). All of these are examples of new approaches at the various levels (national, sectoral and local) towards the reconciliation of family and working life, which has become increasingly important for employees, trade unions, and governments, and sometimes also for employers (e.g. in Italy the *tempi della città*) (see Mückenberger, 1998; Bonfiglioli 1998). In addition, gender equality in legislation and collective bargaining has also become an important topic (e.g. equal pay in the Nordic countries), even if the results are still often unsatisfactory (see Rubery, 1998; EIRO, 2002);
- Within Europe, social pacts at national level are becoming more and more important. The content of these pacts varies. Usually it includes wage moderation (with stronger emphasis on global wage costs), and changes in social security systems and pensions (e.g. Italy, Germany, Finland and the Netherlands) (see Hassel and Ebbinghaus, 2000; Fajertag and Pochet, 2000);
- Collective bargaining at company level has increased and the trends are towards a further increase. This is the case especially for France and the UK.

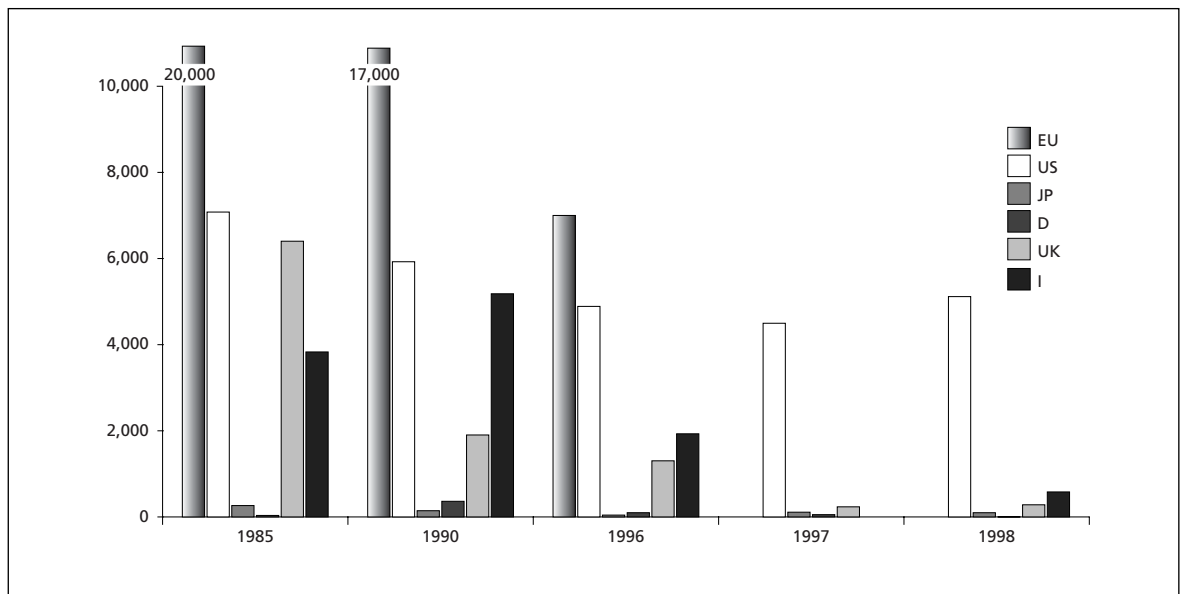
Industrial disputes

Another important aspect that has been largely ignored by the scientific community is the development of industrial conflict in national industrial relations systems. Strikes have become a declining method of collective action in recent years. Since 1979, as indicated in the Figure 15, the number of strikes in the countries of the European Union has fallen (European Commission 2000b).

Statistical evidence indicates that there has been a marked decline in industrial disputes all over Europe over the last two decades, particularly during the 1990s. Various explanations have been put forward of the causes of this radical change. They can be summarised under five major headings:

- Growing unemployment levels all over Europe have modified the balance of power between employers and employees, thereby weakening workers' willingness to enter into major conflicts;
- Changes in employment patterns (tertiarisation in particular) are making it more difficult for the trade unions to organise workers and, as a consequence, to resort to industrial action;
- Alternative dispute settlement procedures are reducing the need for trade unions to use industrial action;
- The social pacts or social partnership approach is increasingly coming to characterise industrial relations in Europe, making social dialogue and 'concertation' into the primary means of solving conflicts or reconciling interests at the macro level.
- Increasing exit options, as a result of globalisation processes, whether real or potential, may also provide an explanation for the decline in industrial strife.

Figure 15 Industrial disputes in comparative perspective, in days – 000s



Source: European Commission, 2000b: 45

Declining industrial conflict in Europe is analysed in (mainly) quantitative terms in an article by Aligisakis (1997). The author highlights the following major tendencies:

- A decline in strike action over time;
- A marked relative propensity to strike in some Southern European countries;
- The existence of several different labour dispute models;
- An inverse correlation between the frequency and the duration or intensity of disputes.

A fairly general explanation of the decline in industrial action in the 1990s is the changed industrial relations climate characterised in most European countries by the dominance of social dialogue and tripartite social pacts, directly involving the social partners in processes of macroeconomic and social policy decision-making and monitoring. This explains, in particular, the rapid and continuous fall in the number of hours of work lost due to strikes in Italy, Finland and Ireland.

It is clear, as Edwards and Hyman (1994) have stressed, that little research has been done on these topics, not least because the research traditions in many countries have not made the negotiation of consent at workplace level a central issue.

Workplace representation and participation

Plant-level interest representation and collective bargaining are the two basic pillars of industrial relations. In view of the marked differences between national systems, it must be asked whether the process of globalisation is associated with a trend towards greater convergence, particularly in terms of the institutional parameters and the substantive fields of action. Human-resource-management literature has repeatedly drawn attention to the positive effects of active participatory strategies. Alongside the traditional forms of plant-level interest representation, numerous new forms of participation have emerged in recent years. These new participation practices can be seen as complementary to institutionalised forms of interest representation, but are also in some cases alternatives.

Work-place interest representation plays a vital role, particularly with regard to the introduction of new technology and the associated changes in work organisation. The objectives of representation are simultaneously to maintain and improve competitiveness and to secure jobs and improve working conditions. Both worker representatives and management at plant level have faced new challenges resulting from the decentralisation of collective bargaining systems. Flexible responses, which have emerged from collective bargaining in recent years, have generated 'knock-on' effects for national regulation of plant level practices and conditions. This literature review will seek to shed light on whether this represents an erosion of industrial relations or whether it is better associated with the on-going development and stabilisation of interest representation at the plant level.

Alongside the historical development of state intervention, workplace representation has become increasingly important. The various degrees of national state intervention, combined with the shift from Fordist industrial production to service-oriented, knowledge and information-based economic activities, has changed the function and the functioning of workers' representation systems. In

addition, the changing average size of the economic entities has had a strong influence. Growing numbers of large-scale multinational companies have raised the need for European works councils. While, in small and medium sized enterprises (SMEs), a basic imperative for employee representation and structures for information and consultation has emerged.

Therefore, this chapter will first outline the empirical differences between forms of representation and different national systems, based on the available literature. This will be followed by discussion of the literature concerning the various forms of direct and indirect workplace participation and financial participation. At the end of this chapter, the impact of globalisation on different forms of workplace participation will be discussed.

Types of participation

It is possible to historically and systematically identify three different types of participation developed in Western Europe:

- Traditional types of indirect representation, which have emerged through time on the basis of the development of the labour movement – for example, in the UK, shop stewards, in Italy, *consigli*, in France, the cooperative model of works committees and in Germany, the model of codetermination at company level *Betriebsrat und Arbeitnehmervertretung im Aufsichtsrat*. The latter is rooted in both Christian social thought and the social-democrat concept of economic democracy (Naphtali, 1928);
- Beyond and independent of the first type, in the 1960s and 1970s models of direct participation developed within Europe, which were directed at both solving the problem of absenteeism endemic in Fordist and Taylorist company structures and enhancing productivity. This has often been dubbed the ‘human relations’ approach. A prominent example can be drawn from the reorganisation of production within Swedish Volvo sites, in which segmented production line work was replaced with holistic group work on platforms;
- The third type, another form of direct participation, is relatively recent and has been mainly developed by post-Fordist oriented companies, which are characterised by complex production systems (see also the Commission’s Green Paper on Work Organisation: European Commission, 1997). These in turn pose substantial obstacles to traditional hierarchical organisations. Hence, non-hierarchical work groups, consisting of members with different skills and qualifications, have been developed with the prime role of commanding complex steering systems within computer-aided manufacturing systems. Quality circles are another manifestation of this type of participation (Kern and Schumann, 1984).

Indirect participation: national differences in workers representation structures

All the EU member states have provisions for workers’ representation, either based upon a law or in the form of a social partner agreement, with some countries having a combination of both; while, in the UK provisions depend on company recognition. This variation is indicative of the different levels of state intervention present, which shape the frameworks of workers’ representation provisions. In light of these different degrees of coverage, a recent directive aims to define a EU framework for information and consultation for workers to fill the gaps and weaknesses of both community and national law.

Table 6 Composition of workers' representative bodies

	Name	Threshold	Members		Composition		Protection
			Elect	Appoint	Workers only	Joint	
A	Betriebsrat	5	•		•		•
B	Conseil d'entreprise	100 (50)	•			•	•
DK	Samarbejdsudvalg	35	•	•		•	•
FIN	Luottamusmiesjärjestelmä	30	•			•	•
F	Comité d'entreprise	50 (11)	•			•	•
D	Betriebsrat	5	•		•		•
I	RSU	15	•	•	•		•
NL	Ondernemingsraad	35	•		•		•
E	Comité de empresa	50 (6)	•		•		•
S	Fackklubbar	–	•		•		•
UK	Shop stewards	–	•	•	•		(•)

Source: Pichot, 2000

Table 7 The powers and action available to worker representatives

		Powers				Type of action			
		Economic	Socio-occupational	Health and safety	Welfare & cultural activities	Claims	Information consultation	Bargaining	Co-determination
Austria	Betriebsrat	•	•	•	•	•	•	•	•
Belgium	Conseil d'entreprise Works council	•	•	(•)	•	(•)	•		
Denmark	Samarbejdsudvalg Cooperation committee	•	•	•			•		•
Finland	Luottamusmiesjärjestelmä Shop stewards	•	•	•	•		•		(•)
France	Comité d'entreprise Works council	•	•	•	•	(•)	•		
Germany	Betriebsrat Works council	•	•				•	•	•
Italy	RSU Unitary union representation	•	•	•	•	•	•	•	
Netherlands	Ondernemingsraad Works council	•	•	•	(•)		•		•
Spain	Comité de empresa Works council	•	•	•	•	(•)	•	•	
Sweden	Fackklubbar Local trade unions	•	•	•			•	•	•
United Kingdom	Shop stewards	•	•	•		•	•	•	

Source: Pichot, 2000

A second element of national difference can be identified in the composition of representative bodies (see Table 6). The definition of a single representative body implies that workers in a particular workplace share one mechanism, regardless of union membership (e.g. work councils). Dual, or parallel, structures imply that above the common form of representation, unionised

workers are able to exert influence, via the trade union structures (at sectoral and/or national level), and possess the right to bargain. In countries where trade unions hold a privileged position in the workplace, it is possible to conceptualise single-channel representation, based on collective bargaining. This is the case in Sweden, Finland, Ireland and the UK. In addition, each strain has its own normative understanding of the meaning and degree of representativeness, which in turn dictate the way workers' representatives are chosen. In Anglo-Saxon workplace industrial relations, member participation in workplace unionism is the central tenet of representative democracy at the workplace level (Fosh and Heery, 1990). While, the continental understanding follows that non-unionised workers are given a voice within workplace structures, to ensure that union representatives consider their needs in the formulation of workplace strategies. This understanding is operationalised through regular elections, subject to public scrutiny, in which non-union candidates are able to stand and often the electorate represents the entire workforce (Dufour and Rehfeldt, 1991).

Besides the possibility of non-unionised workers' representatives taking part in works council elections as candidates and/or voters, there is also a distinction between works councils solely composed of workers' representatives and jointly-composed works councils, which include management representatives. Furthermore, in Belgium, France and Luxembourg works councils include both sides of industry. In addition, in Belgium and France the works council is even chaired by the employer. Alternatively, in Austria, Germany, Spain, Greece, Portugal and the Netherlands, works councils are made up solely of employee representatives (Pichot, 2001b). The powers available to workers' representatives also differ nationally (see Table 7).

Table 8 Resources of worker representatives' bodies

	Name	Resources					
		Meetings	Premises	Hours	Training	Budget	Experts
Austria	Betriebsrat	•	•	•		•	•
Belgium	Conseil d'entreprise Works council	•	•	•	•		•
Denmark	Samarbejdsudvalg Cooperation committee	•		•			
Finland	Luottamusmiehistajestelmä Shop stewards	•	•	•	•		•
France	Comité d'entreprise Works council	•	•	•	•	•	•
Germany	Betriebsrat Works council	•	•	•	•		•
Italy	RSU Unitary trade union representation	•	•	•			(•)
Netherlands	Ondernemingsraad Works council	•	•	•	•	(•)	•
Spain	Comité de empresa Works council	•	•	•			
Sweden	Fackklubbar Local trade unions	•	•	•	•	•	•
United Kingdom	Shop stewards	(•)	(•)	(•)	(•)		

Source: Pichot, 2000

There are also variations in the available resources possessed by workplace representations (whether by a time, financial, expert or technical nature) – see Table 8 (Pichot, 2001b).

Only in a minority of European companies have general frames of reference for the establishment of national works councils and group works councils been developed. Pichot (2001b) terms the level of the workplace as a first level in a larger hierarchy. Beyond this basis, the existence of coordination structures for all representations within the same company is common; although it is only a general rule in a minority of countries. Finally, representation structures at the level of the group within a country exist through Group works councils and at the European level in European works councils (Keller, 1997; Müller-Jentsch, 1997; Edwards *et al*, 1998).

Direct participation

In recent years, direct participation has been considered an instrument to modernise work organisation (European Commission, 1997). As mentioned in the introduction of this literature review, so called ‘Taylorist’ or ‘Fordist’ work organisations have been deemed incompatible with the new market demands of quality production and flexible specialisation. Hierarchical structures cannot separate decision making from doing efficiently, plus the several tiers of managers necessary for a hierarchical structure may add little value, but are expensive. Peters (1987: 302) states that the only possible implementation of a strategy of quality production is through self-managed teams of ‘committed, flexible, multi-skilled, constantly retrained people’.

Trist and Bamforth (1951) laid the basic paradigmatic foundations for the analysis of group work; stressing the importance of a holistic approach to the work process, the role of group autonomy and the properties of multi-skilled group members. Subsequently, theoretical and empirical studies at the Tavistock Institute have provided inspiration for researchers elsewhere in Europe (Van Eijnatten, 1993). Consequently, direct participation practices have been the subject of consistent interest by academics and practitioners alike, for the past five decades (Buchanan, 2000).

Schein (1965) stresses the imperatives for organisations to develop realistic profiles of their workers and their aspirations (Freeman and Rogers, 1999). The Bullock Report (1977) explored the growing trend of workplace modernisation and democratisation, considering it to be the result of social changes; particularly rising educational standards and higher living standards (the ‘democratisation hypothesis’ has been challenged by Yates *et al* (2001), from an American perspective). Both the Bullock and the Creighton reports (Davies, 1976), found that there was less concentration on formal authoritarian organisation structures and more encouragement to workers to adopt independent and inquisitive approaches in order to develop individual initiative and adaptability (Pace and Hunter, 1978). Foy and Gadon (1976) concluded from their study on direct participation in three countries (USA, UK and Sweden), that a ‘growing push from the workforce for greater involvement in decisions and more satisfaction at work’ existed and that ‘the trend is an international one’.

The first management-inspired experiments with direct workers participation were conducted in Sweden, in the 1950s and 60s. The introduction of group work practices at Volvo and Saab in Sweden, sought to overcome concerns about turnover and absenteeism, by encouraging greater employee involvement in the organisation of work (EPOC, 1997). In the 1990s the need for direct participation in the organisation of work had become a ‘new conventional wisdom’ (Osterman, 1994: 173). The novelty of this may be considered through the unprecedented widespread

management interest in using direct participation to improve business performance (EPOC, 1997). Direct participation is also linked to the quality of working life. Freeman and Rogers (1999: 52) measured how much influence US workers want and have on workplace decisions and concluded that an ‘influence gap’ exists.

Historically, direct participation has referred to a number of practices. At the end of the 1970s, and the beginning of the 1980s, there were two main motives behind the introduction of direct participation practices: 1) socio-technical motivation and 2) moral motives concerning the quality of working life. Socio-technical motivated forms of group work aim to develop the speed of employee reactions to unexpected circumstances and changes. The perceived benefits of their increased responsibility were expected to increase motivation and hence productivity, and decrease the costs of supervision. Motivated by such reasoning Swedish companies started to implement experimental schemes (Sandberg, 1982; Cole, 1985). The second motivation came from the scarcity of labour in the 1970s; the aim was to make jobs more attractive to potential employees. However, once the economies slid into recession, these group work practices were easily abandoned (Ramsey, 1983; Springer, 1999).

Table 9 Distinctions in direct participation types

Forms of direct participation	Individual	Group
Consultation	‘Face to face’; arrangements involving discussions between individual employee and immediate manager, such as regular performance reviews, regular training and development reviews and ‘360 degree’ appraisal	‘Temporary groups’: groups of employees who come together for a specific purpose and for a limited period of time, e.g. project groups or task-forces
	‘arms-length’: arrangements which allow individual employees to express their views through a ‘third party’, such as a ‘speak-up’ scheme with a ‘counsellor’ or ‘ombudsman’, or through attitude surveys and suggestions schemes	‘Permanent groups’: groups of employees who discuss various work-related topics on an ongoing basis, such as quality circles
Delegation	Individual employees are granted extended rights and responsibilities to carry out their work without constant reference back to managers – sometimes known as ‘job enrichment’	Rights and responsibilities are granted to groups of employees to carry out their common tasks without constant reference back to managers – most commonly known as ‘group work’

Source: Sisson, 2000a

Overarching these motives was the tendency to copy practices from other companies (Di Maggio and Powell, 1983), it is important to note the influence of Japanese techniques used in the mass production of consumer electronics and car manufacturing. The superior price/quality ratio of these Japanese products forced American and European managers and consultants to search for the ‘secret’ of Japanese success (Cole, 2000). This research suggested a number of factors, including quality control circles, total quality management, continuous improvement strategies and strong organisational cultures. Many of these practices were poorly understood by those attempting to transfer them (Nomura and Jürgens, 1995), and have been associated with self-directed work teams (Cole, 2000) despite the fact that this combination appears to be unheard of in Japan (Benders *et al*, 2001).

From direct participation practices in the 1990s (Fröhlich and Pekruhl, 1996), the employee participation in organisational change survey (EPOC, 1997) distinguishes between consultative and delegated direct participation on the degree of group autonomy. Sisson (2000a) has fine-tuned this typology indicating that both consultative and delegated forms of direct participation can involve individual employees or groups of employees (see Table 9). Consultative participation modes can be further subdivided in a 'face-to-face' form and an 'arms-length' form. While group consultation can involve temporary or permanent groups.

Advocates have always stressed the economic advantages of these forms of direct participation, the greater responsiveness to changing environments and the subsequent decrease in absenteeism and sick leave. Increased output volume and better product quality have been attributed to, and expected from, group work. Besides such economic advantages, it is claimed that employees benefit, as well, through increased latitude in decision-making, broader job content, less alienation and improved relations at work. Mutual gains and 'win-win' solutions appeal but potentially conceal a trap, with the benefits appearing too good to be true; this has led to scepticism and criticism and limited implementation in places (Benders *et al*, 2001).

Group work is by no means a simplistic 'good-for-all' strategy. It has advantages and disadvantages for both managers and employees. Consequently, these can be used to monitor the occurrence of unintended effects, in order to prevent or eliminate such effects. Benders *et al* (2001) counsel workers representatives not to reject group work defensively, since in most cases employees prefer this mode of work above other forms. Regalia (1995) found that direct participation forms are best based on a partnership for the development of a new framework for the organisation of work taking account of the interests of both business and workers. Where workplace organisations are strong, employee representatives have been given key positions within direct participation schemes, for example, as team leaders (Heaton and Linn, 1989). McLoughin and Gourlay (1994) argue that direct participation schemes contribute towards increased employee commitment to a company, but do not explain the failure of unions to organise.

Forms of direct participation can be introduced to increase flexibility, to seek improvements in competitiveness by reducing costs, but also to generate employee commitment (Waddington *et al*, 1997). Besides employee involvement in team working, quality circles, etc., a second form of direct participation was developed in most EU member states during the 1980s: financial participation.

Financial participation

Both direct participation and financial participation are primarily management initiatives (Poutsma and Huijgen, 1999), but unlike direct participation, financial participation has been promoted and regulated through state intervention; for example, the French disposition of 17 August 1967, and the German law of 1961 (revised and enlarged in 1965 and 1970) (Remus, 1982). In the US, the Employee Retirement Income Security Act of 2 September 1974, views financial participation as an instrument in pension-schemes. International organisations, such as the OECD (1967, 1971, 1975) and ILO (1968 and 1981) have also investigated the potential of financial participation at national or subnational level. At European level, in the 1970s, the council of ministers have passed a recommendation concerning the promotion of employee participation in profits and enterprise results (commonly known as 'PEPPER') (Uvalic, 1991), this was followed by the PEPPER II report (European Commission, 1996b). The PEPPER recommendations called on member states to

ensure that national legislation did not prohibit the use of financial participation and encouraged them to consider using fiscal incentives to promote its use by companies (Pendleton *et al*, 2001). More recently, an EU Commission staff working paper has presented several general principles which should underlie policies of financial participation of employees in the EU (Pendleton, 2001).

Vaughan-Whitehead (1995) distinguishes between three different forms of financial participation: gain sharing, profit sharing and employee share ownership plans. All three forms can be introduced on a broad base, for all or an overall majority of the workforce, but may also be restricted to managerial staff, who represent a small minority of the overall workforce – see Table 10 (Pendleton *et al*, 2001).

Globalisation and participation concepts

The development of participation concepts in the EU countries, under conditions of the process of integration, globalisation and the development of new ('post-Fordist') production concepts (Womack *et al*, 1991; Cole, 2000), appears highly ambivalent: while classic concepts of participation have come under pressure (Waddington *et al*, 1997; Frenkel, 1993) or taken on altered functions, at the same time new forms of direct participation are being developed on the basis of new production concepts (Kochan and Weinstein, 1994; EPOC, 1997). On the one hand, new opportunities for participation by employees, and under certain circumstances also by trade unions (Kochan and Wever, 1991; Regalia, 1995), are developing as a result of the introduction of new production concepts and the trend towards decentralisation of collective bargaining and the increasing significance of the company and workplace levels (Traxler *et al*, 2001). On the other hand, these trends can also contribute to the weakening of 'classic' indirect participation models (Altvater and Mahnkopf, 1993) (e.g. works councils) and conventional forms of collective bargaining and supra-company trade union organisation and policy (see Waddington and Hoffmann, 2001).

Table 10 Broad-based financial participation schemes

	Broad-based share schemes only	Broad-based profit sharing schemes only	Both broad-based schemes	Total No. business units with broad-based schemes
A	0	25	3	28
B	10	9	1	20
DK	13	6	2	21
FIN	10	23	5	38
F	2	64	18	84
D	6	15	4	25
EL	7	7	0	14
IRL	13	21	2	36
I	2	7	0	9
NL	4	38	18	60
PT	1	16	1	18
E	5	12	1	18
S	9	15	4	28
UK	18	18	12	48

Source: Pendleton *et al*, 2001

These divergent and ambivalent developments will be set out below, systematically and in summary form, on the basis of the existing literature.

1. Processes of increased internal and external flexibility give rise to changed conditions for indirect participation. On the one hand, an ever increasing number of company-relevant decisions are being taken in distant international headquarters (Marginson and Sisson, 1996; Cassen, 1997) where codetermination rules and practices do not prevail. On the other hand, internal flexibility procedures mean that decision-taking is being shifted downwards to teams, quality circles, etc. set up by the company and which take shape alongside conventional participation models (Hoffmann, 1992; Sydow, 1999);
2. The growth of the tertiary sector, outsourcing and global sourcing processes frequently mean that significant parts of production are shifted to small firms or micro-businesses which are not subject to participation models or are based in countries where such models are unknown (Monat, 2001). At the same time, such processes entailing increasing external flexibility lead to a redefinition of core and peripheral workforces in terms of their relationship to the main or supplier company, leading to very different conditions and situations of risk for the existing participation bodies. The increased importance of the company level for interest representation resulting from the decentralisation (Katz, 1993: 13-16) of bargaining processes is thus brought paradoxically face to face with the weakening of the company (as a result of outsourcing) as the focus for employment. This applies particularly to the services sector in which small and micro-enterprises are particularly widespread and in which, on account of the dissolution of clear-cut boundaries between employee and employer status, participation models either have no chance or come into being in quite different forms, for example, joint running of the company by the group of individuals with a stake in it.
3. The newly developing forms of direct participation are, firstly, those introduced by the employers (Marchington, 1995; Ambrosini, 1998); many scholars have considered these new innovations in work organisation, particularly the concept of lean production, a democratic break from Fordist or Taylorist forms of organisation; 'giving employees new authority (Adler and Borys, 1996) to design their jobs, control working conditions and make decisions leading to improved productivity' (Yates *et al.*, 2001: 518; see also Adler, 1993; Kenney *et al.*, 1993; Walton, 1985). However, Yates *et al.*, (2001) argue that this notion of democracy, or empowerment, is a 'Trojan horse' disguising the real objective of increased productivity regardless of working conditions or the quality of life of the workforce. The innovative participation practices do offer – to varying extents – opportunities for codetermination ('in the workplace') but these opportunities can turn into institutions in which work pressure can be exerted by the group. Even so, in some companies it has been possible to subject these forms of participation to labour policy regulation and incorporate them into the conventional participation models (Müller-Jentsch and Sperling, 1995; Heaton and Linn, 1989).
4. In any case, the extent and content of old and new forms of participation are substantially determined by the pressure of the internationalisation process as it works its way through to the firm. Thus on the one hand, new forms of modernisation coalition can be formed which in some cases are even politically and economically embedded in 'innovation alliances' at regional level – pacts on employment and competitiveness (PECs) (Sisson, 2000b). However, these alliances can, if shareholder-value strategies come to prevail in the company, be used to implement radical cost-reduction and modernisation strategies in such a way that they forfeit

all claim to democracy (Springer, 1999). Or else, positive developments deriving from 'new production concepts' ('end of the division of labour') and their accompanying forms of participation are eroded or simply removed (Sinclair, 1992; Sewell, 1998; Garrahan and Stewart, 1992).

5. This pressure from the international economy also leads to the participation bodies, where they exist, and where they have participation rights, becoming instruments for the implementation and legitimisation of radical cost-reduction (EPOC, 1997) programmes in which the erosion of collectively agreed gains is condoned by the partners ('concession bargaining').

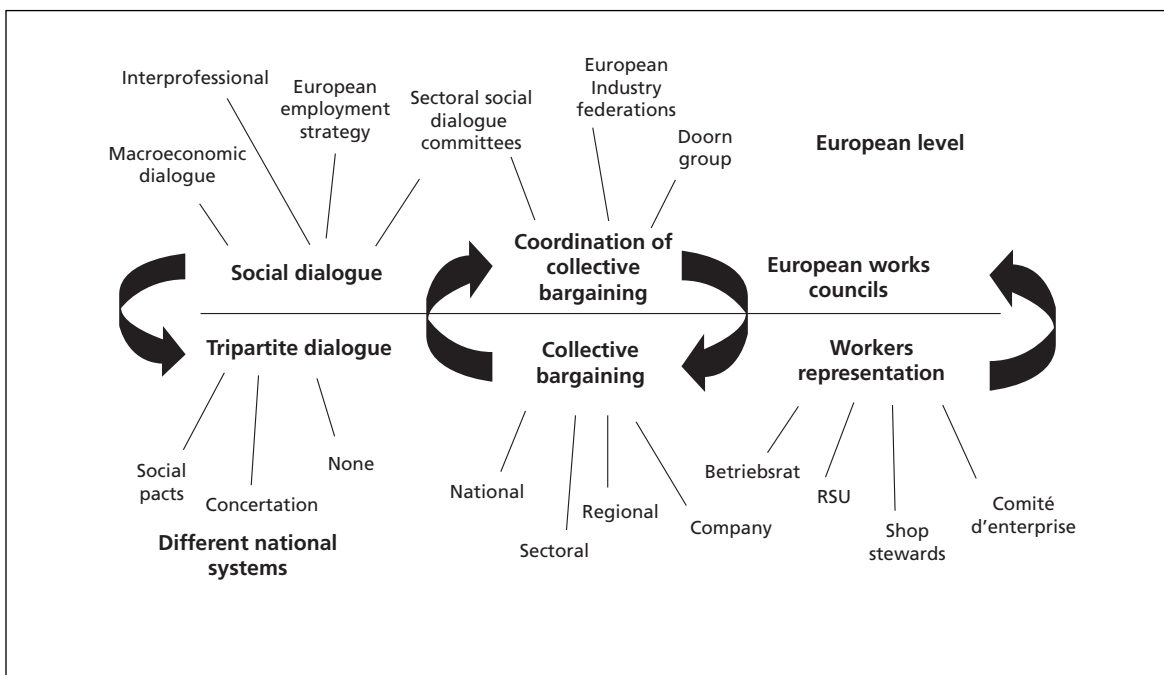
Accordingly, it is possible, for the time being, to record only extremely contradictory trends which, on the one hand, open up new opportunities for participation, but which on the other hand, place conventional forms of participation under pressure or void them of their content. Trade union policy, national government policies and EU-level policy can, however, reconstitute and recombine these new economic and corporate conditions with the forms of participation in the different types of capitalism and – as shown not least by the German co-determination study – build up participation models as part of a productivity model that can be further developed.

Europeanisation of industrial relations

Europeanisation is taken to mean the development of a complementary layer of actors, structures and processes at the European level (of a governmental and non-governmental nature), which are interacting with national institutions and actors – see Figure 16. This interaction necessitates adjustments to subnational, national and European actors’ behaviour, strategies and their structures whereby European aspects of issues can be incorporated into their national fields of vision and action and vice versa (Green Cowles et al, 2001). However, this does not mean the development of an autonomous European industrial relations system, replacing national industrial relations (Dølvik, 1997). Our own view is that the Europeanisation of industrial relations is to be understood as a long-term process with an unclear destination.

Against the background of increasing European integration and globalisation of the economy there is broad agreement in academic discussion – but also among the social actors – that, in order to strengthen the social dimension of the European social model, the Europeanisation of industrial relations is essential. Some first steps in this direction can already be found in the joint committees that were set up as a general forum for consultation and information between the social partners and the European Commission. For the coal and steel sector a joint committee of this type was set up as early as 1955, one of its main purposes being to contribute to the development of a European system of industrial relations and the encouragement of autonomous collective bargaining. Though important progress has indeed been achieved since then, it was more than 30 years until the ‘social dialogue’ took on genuine significance in relations between employers and trade unions at European level and the rudiments of a system of European industrial relations were able to be put in place. Biagi (2001) is justified in asking: ‘Are we facing a trend towards Europeanisation of industrial relations?’.

Figure 16 Europeanisation: dynamics between existing systems and the new European arena

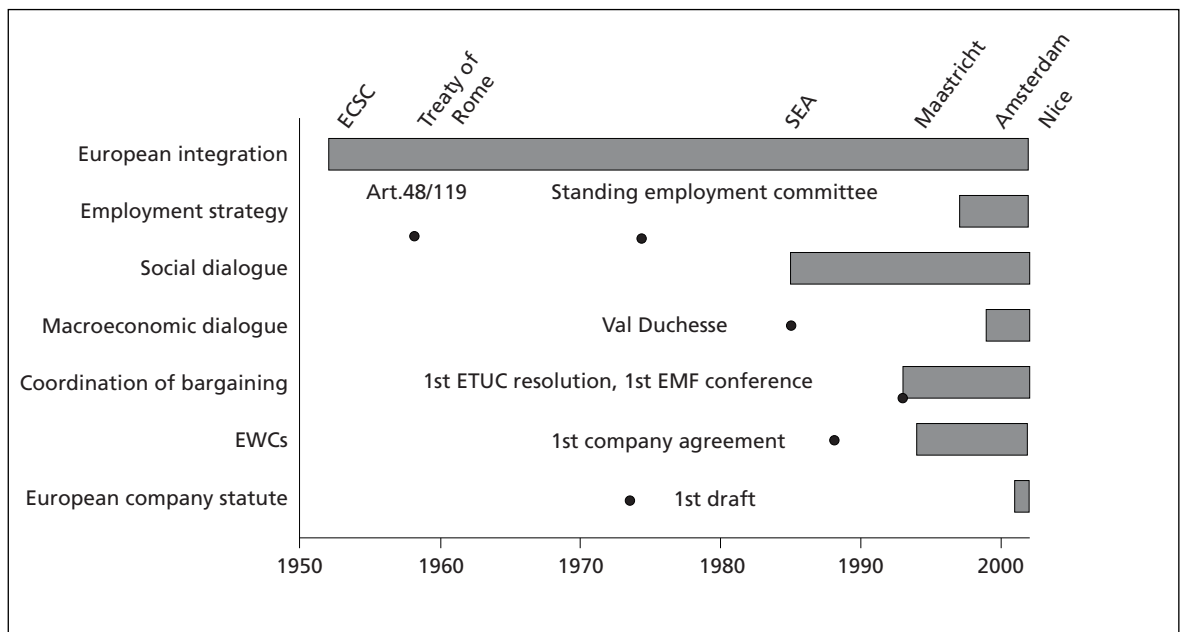


Source: ETUI

Figure 16 reflects this multidimensional notion of the dynamics between the European, national and subnational levels of industrial relations. Thus, for example, European works councils could be considered a common complementary arrangement to the diverse national workplace representation systems, a response to the complex pressures of European integration and globalisation. However, through time these new institutional forums are developing their own momentum and relative autonomy, which has long-term to immediate consequences for the national actors institutionally (e.g. in the UK where there are no works councils) and cognitively (e.g. through mutual learning, the possibilities of workplace representation are explored). We consider this process to be vertical Europeanisation, however there is also a process of horizontal Europeanisation whereby the various European industrial relations structures intensify each other through multiple linkages. This could be considered a form of neo-functionalist spillover (Lindberg and Scheingold, 1971).

In this chapter the central features of a Europeanisation of industrial relations, as they are discussed in the literature, will be set out (see Figure 17). The social dialogue, as it has developed in particular on the basis of the social partners' agreement of October 1991, represents, without any doubt, one such central feature. A further basic component was put in place with the 'Directive on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees' (September 1994). This will now be supplemented by the European company statute, in which the opportunities for worker participation have been secured by directive 2001/86/C.

Figure 17 Evolution of European industrial relations



Source: ETUI

For the regulation of labour markets – for which the EU member states will continue to be responsible – important supplementary instruments have also been made available in the form of the European employment strategy (Luxembourg process) and the macro-economic dialogue (Cologne process). The active involvement of the European social partners will provide even stronger incentives for a Europeanisation of industrial relations. Last but not least, it is the level of trade union commitment that will determine whether or not it proves possible – in particular under conditions of monetary union – to achieve European-level coordination of collective bargaining policy.

It is a weakness of industrial relations research that these central components are, generally speaking, discussed independently of one another (one of the few exceptions being the volume by Keller (2001)). This also explains the weakness in the conceptualisation of a European model of industrial relations by industrial relations scholars; the process is more advanced in the field of political science (Schmidt, 2001; Radaelli, 2000; Green Cowles *et al*, 2001; Bomberg and Peterson, 2000).

Europeanisation of industrial relations actors

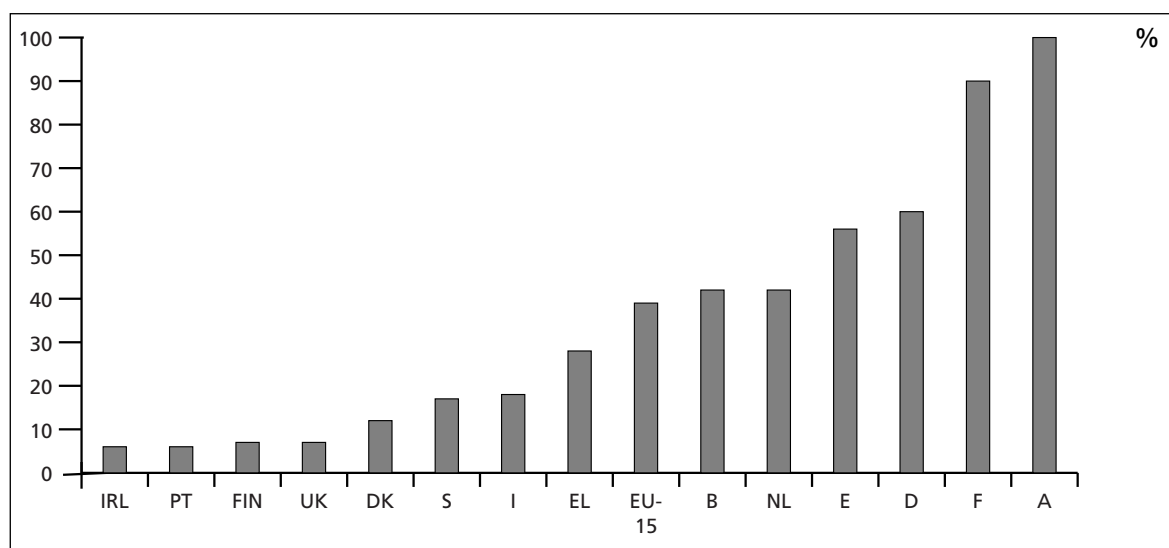
Business

Despite the relative absence of empirical study of organised business interests *per se*, there has been growing interest in the ramifications of European integration on organised interests in general, and on business associations specifically – albeit the literature on business associations is tiny in comparison to the mass of literature on the Europeanisation of labour. In recent years, there have been a number of contributions on the issue of organised business interests in Europe (Sadowski and Jacobi, 1991; Kohler-Koch, 1994; Crouch and Traxler, 1995; Greenwood, 1997; Green Cowles, 1998). In addition, Pochet and Arcq (1996, 1997, 1998, 1999, 2000) have consistently addressed the development of the European peak organisations (particularly UNICE and CEEP), of which UNICE is the largest (see Figures 18 and 19). Tyszkiewicz (1991) offers an insider's view of UNICE and employers' organisation. However, research on the impact of European integration on the member states and national actors – Europeanisation – is immature.

Coen (1997, 1998) has charted the evolution of business interest organisation at the European level, focusing on the role of large firms and multinationals' interactions with the EU institutions. Lehmkuhl (1999, 2000) comparatively examines business interest associations in the transport sector, concentrating on Germany and the Netherlands. Wilts (2001) presents the results of a social survey of business interest associations in the Netherlands; the aim of this research was to analyse the impact of European integration, and in particular the multi-level nature of the emerging European system of governance, on a corporatist system and its actors.

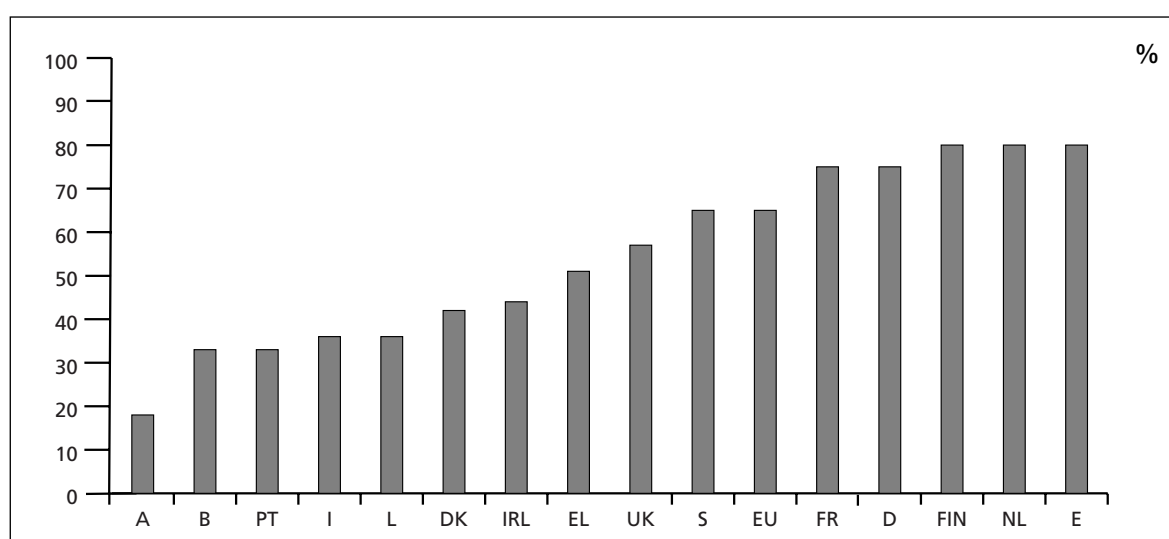
The broad conclusion of Lehmkuhl (2000), and Wilts (2001), is that national business interest articulation is still paramount, in terms of associative strategy. However, increasingly the European level is influencing the environment of national action, leading rationally to the development of European level of collective action and a concurrent adaptation of national strategies to take account of European developments.

Figure 18 Firms that belong to a European social partner organisation



Source: European Commission, 2000b

Figure 19 Firms which are members of UNICE (paid labour force)



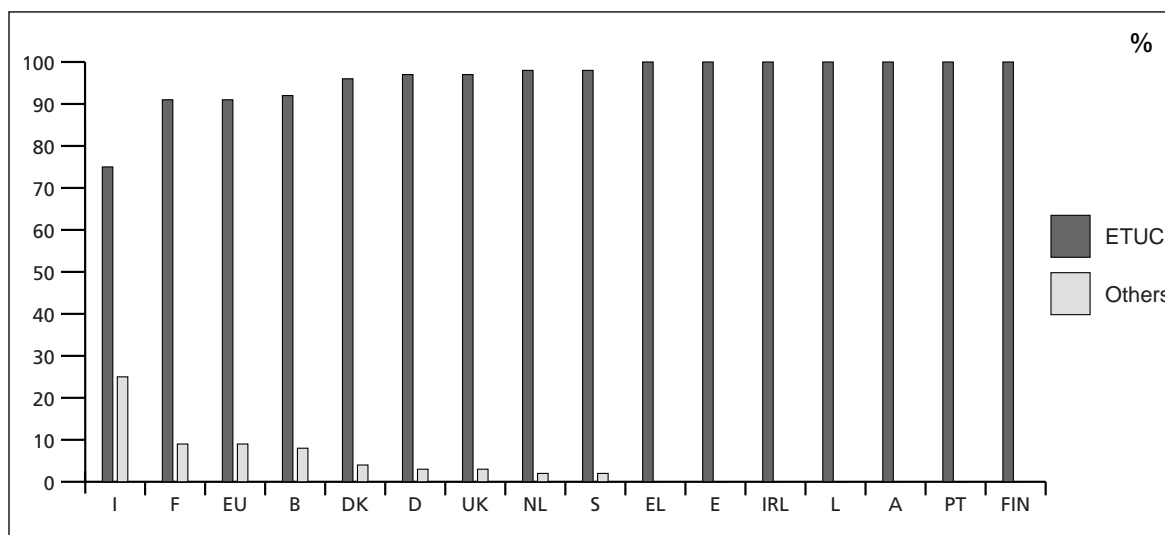
Source: European Commission, 2000b: 10

Labour

The trade unions realised quite early on that a policy geared to representing workers' interests within national borders is less and less able to meet the new challenges inherent in the process of European integration. However, the transnationalisation of trade union organisation has been characterised by confessional and ideological fragmentation. In the post-war years three international confederations were established, representing Communist, Christian and Social-Democratic labour movements (Ebbinghaus and Visser, 2000; Degryse, 2000b). The development of the ETUC (see Figure 20), as a regional trade union organisation, must be considered in the light of these divisions and may be considered the product of reconciliation between the different groups (Dølvik, 1997; Gabaglio and Hoffmann, 1998).

The ETUC's geographical coverage has been extended following the wave of reform in Central and Eastern Europe, and the first unions from Central and Eastern Europe were affiliated to the ETUC in 1995. At present the ETUC organises 68 trade unions from 29 countries. Six organisations from four countries have observer status. In addition, the 14 European industry federations have been full members since 1991 (Dølvik, 1999).

Figure 20 National trade unions that belong to a European trade union organisation



Source: European Commission, 2000b

The recent studies by Gobin (1997) and Dølvik (1999) stress the fact that the ETUC is not in a position to commit its affiliates and criticise the lack of financial resources which prevents it from playing to full effect its role as 'actor' in the social dialogue. In contrast to these rather pessimistic assessments, Martin and Ross (1999: 314) reach significantly more optimistic conclusions: 'The unions have consequently 'Europeanised' more than could be expected in the recent decade, largely in response to what European-level policy-makers have offered them'. Work has so far only been published on individual federations in connection with the social dialogue and the coordination of collective bargaining policy (see Keller, 2001; Sörries, 1999).

Europeanisation of state functions

Since the establishment of the European coal and steel community in 1952, the scientific community has debated the specific nature of European-level institutional arrangements. Inevitably the issue of state functions at the European level has been tackled largely by the European integration paradigm of political science. In this section, state functions refer to the state's role as legislator or environmental regulator, legal enforcer, process facilitator and employer.

The key players in the European policy-making process are the European Commission, the Council of Ministers and the European Council, the European Court of Justice and the European Parliament (for a more detailed analysis of the historical and institutional dynamics of the European institutions see Wallace and Wallace, 2000; Nugent, 1999; George, 1996). As the 'guardian of the treaties', the Commission performs a supranational role of 'dirigisme' (understood

as guidance or steering) for common policy functioning as a policy initiator, facilitator and enforcer. The Council of Ministers has traditionally held the role of executor of legislation, in accordance with either qualified majority voting (QMV) or unanimity as the treaties dictate. Consequently, the traditional 'community method' could be summarised as 'commission proposes, council disposes', with the European Court of Justice acting as a constitutional court legally allowed to give the final judgement in conflicts of interpretation.

In the last twenty years two other institutions have emerged as key policy-makers (the European Council and the European Parliament), having the effect of simultaneously complicating and democratising the process of European governance. The European Council, composed of heads of state, has emerged as an intergovernmental forum for general direction of the various policy areas. Since the Amsterdam treaty (1997) the European Council has gained some rights to initiate legislation, which before were reserved solely for the Commission. While the European Parliament has increased its influence and regulatory mandate with each treaty reform since the Single European Act (SEA) in 1987; currently the EP has codecision powers alongside the Council in increasingly more areas of EU policy. The institutional development of the EP has been accompanied by a debate in the literature on the democratic deficit at European level and the need for institutional reform (Lodge, 1991; Corbett, 1998; Scharpf, 1999).

In the case of European social and economic policies, the socio-economic actors within the 'corporatist framework' are usually included in this list, since as a result of the Maastricht social agreement the peak European trade union confederations and employers associations are invited to negotiate EU agreements (Falkner, 2000; see section on Employment policy and the macroeconomic dialogue (p. 66)). A number of other institutions are officially invited to comment on policy initiatives and legislation (e.g. Economic and Social Committee or the Committee of the Regions).

The vast majority of authors on the subject consider the European institutions to be a form of quasi-state, in which traditional state functions have developed in an asymmetric fashion. As Scharpf (1988) notes, the institutional framework at European level is characterised by joint-decision traps; Teague (2000b) comments on what he terms the 'multiple-equilibrium' of European social policy-making. Both these phenomenon mean that the more actors involved in decision-making the more difficult that process becomes.

Conceptualising the Europeanisation of state functions

Since the 1950s one central question has dominated the scientific discourse: is the new European institutional framework inherently supranational or intergovernmental? This is a crucial question to any understanding of how state functions have been Europeanised, and many scholars (mostly political scientists) have attempted to achieve clarity. Two main schools of thought dominated the debate between the 1950s and 1980s.

Firstly, the neofunctionalist explanation of European integration was dominant in the 1960s, and had a resurgence in the 1980s and 90s after the SEA (see Haas, 1968; Lindberg and Scheingold, 1970; Lindberg, 1971; Sandholtz and Zysman, 1989; Tranholm-Mikkelsen, 1991; Sandholtz and Stone Sweet, 1998; Strøby Jensen, 2000). The central concept of neofunctionalism is 'functional spillover', which describes the incremental process by which any common initiative taken supranationally places functional pressures under the guise of efficiency (by raising the costs of

intergovernmental inaction) on flanking policy or legal frameworks. Over time these pressures generate their own momentum, and policy ratchets are used to avoid 'spillback' or retrenchment. Thus, Haas (1961) showed that 'rules, organizational capacity to respond to social exchange, and effective procedures to process disputes, and ... the behaviour and dispositions of political and economic actors, could evolve symbiotically' (Stone Sweet, 2002). To reflect this technical and cognitive symbiosis, a distinction is often drawn between the subforms of spillover, primarily technical spillover, which seeks to increase the technical efficiency of a common mechanism, and political or 'cultivated' spillover. The latter applies when common initiatives are linked together for political motives rather than solely for efficiency (Nye, 1971). An interesting aspect of this 'cultivated' spillover is what neofunctionalists have often termed 'engrenage' (Shore, 2000; Teague, 2000b). This is the process of Euro-socialisation running parallel with the process of European integration, under which supranational institutional cultures have developed which generate loyalty to the process of European integration and encourage the extension of supranational competencies (Lindberg, 1971). Neofunctionalism is intrinsically a highly deterministic, causal approach to the development of European state competencies; but since its renaissance with the SEA, researchers adopting the framework have tended to attempt to inject some flexibility into the approach (Tranholm-Mikkelsen, 1991).

On the other side of the traditional dichotomy are the intergovernmentalists (Hoffmann, 1966; Moravcsik, 1991, 1993, 1998). Their basic premise is that rather than being incremental the process of transfer of competencies to the European level is intrinsically rational, with national governments, and therefore by extension the nation state, central and ultimately dominant in this transfer. Any transfer of state functions to the European level is the result of a rational intergovernmental bargain. Moravcsik (1991, 1993, 1998) has consistently promoted the theory of liberal intergovernmentalism, by which national 'policy preferences' are determined between the different national political actors and then 'brought to Brussels' where they are negotiated between the member states. He tends to focus on the historical 'events' of European integration (e.g. intergovernmental conferences), rather than the everyday running of the EU, to find evidence for this hypothesis (Wincott, 1995). Certainly when looking at the bargains struck around the social action programme in the late 1980s, economic and monetary union at Maastricht or the employment chapter at Amsterdam a wealth of evidence exists to support such a realist argument. However, while the theory is convincing in parts many critiques (Wincott, 1995; Armstrong and Bulmer, 1998) have stressed the lack of acknowledgement of the role of the Commission and institutional factors, let alone the European Parliament.

As interest has grown in the developments at European level so too has the body of scientific research. Many scholars have rejected the polarisation of the traditional dichotomy and have developed Europe-specific paradigms within broader political science schools of thought. For instance, Bulmer (1983, 1994) has written extensively on the impact of institutionalism at European level and the repercussions for path dependency, which draws on the ideas of various political scientists. Equally others have adopted a pluralist actor-based approach towards the transfer of competencies (Richardson, 1996). A related paradigm is that of multi-level governance as proposed by Marks *et al* (1996), which presents a more pluralistic approach to development of European competencies arguing the importance of actors at a range of different supranational and subnational levels in the development of European policy (Peterson, 1995; Peterson and Bomberg, 1999). For a broad overview of all these theories and comprehensive critiques see Rosamond (2000).

In the last few years a new paradigm has emerged – Europeanisation – in which political scientists have attempted to dissect the institutional, political, social and cognitive dimensions of the relationship between the European, national and subnational state institutions and actors (see contributions by Ladrech (1994); Radaelli (2000); Green Cowles *et al* (2000)). In their contribution, Green Cowles *et al* (2000) argue that the process of European integration places adaptational pressures on the member states (these vary according to the ‘goodness of fit’ of a particular instrument or regulation). National institutions and actors mediate these pressures in a variety of ways and according to a number of intervening factors, including the number of national veto points, national organisational and political cultures, the different power dynamics between actors and the consensus-building capacity of national institutions. Ultimately, the authors attempt to analyse the factors behind the considerable differences in reaction to a common policy/instrument from the member states, for instance, the different reactions to EMU in the UK (opt-out) and Italy (massive structural change). This is a relatively new trajectory of research but is growing in mass.

European institutions as legislator

According to Scharpf (1996) the processes of ‘positive integration’ (the development of common European policies) and ‘negative integration’ (the process by which the barriers to European cross-national trade have been removed) are dependent on different developmental logics. As has already been outlined, the European Union suffers from often-crippling joint-decision traps and as a result ‘positive integration’ is relatively underdeveloped in comparison with the market-building dimension of European integration (Streeck and Schmitter, 1991; Scharpf, 1999). Moravcsik (1993) identifies the difficulty of reaching common agreements when national interests are paramount and hold multiple veto points.

In terms of European industrial relations, there are three potential means of regulation at European level: a) the Community method, b) the social protocol (since Maastricht) and c) neo-voluntarism (see Streeck, 1995a). The second is discussed in the section on European social dialogue below. Sisson and Marginson (2001:7-8) identify four main types of regulation at the European level, categorised according to their strength:

- ‘Hard regulation’ based on a ‘one-size-fits-all’ premise (e.g. health and safety directives);
- Combination of a ‘hard’ and ‘soft’ approach, where standards are set but implementation is relatively flexible (e.g. European works councils, working time);
- ‘Soft’ regulation based on framework agreements and joint recommendations (e.g. agreements emanating from the EWCs, sectoral social dialogue);
- Open method of coordination (e.g. European employment strategy).

There are many contributions which outline the development of European regulation stressing that the European institutions are unevenly advanced in regulating of the policy environment (Leibfried and Pierson, 1995; Teague, 2000b; Marginson and Sisson, 2001).

From a historical perspective, Strøby Jensen (2000) argues that the functional spillover from economic integration (particularly the Single European Market: SEM) in the 1980s, alongside the political cultivation of a strong policy coalition, led to the adoption of the social action programme in 1989. This initial common non-binding declaration of intent confronted the negative spillover pressures from economic integration within the mainstream of social policy, and may be considered

with hindsight to have legitimised the extension of regulatory functions at the European level (see Table 11). Certainly this explanation holds true for the most advanced areas of EU social regulation, health and safety and equal opportunities; both sets of competencies were integrated into the treaties as a result of perceived threats of social dumping (Geyer, 2000).

The use of the community method in EU industrial relations and social policy has to date been limited to issues that were perceived as ‘low politics’, where agreement was not fundamentally controversial. Under these initial areas of community competence, the Commission (supported by a policy coalition) has pressed further, occasionally challenging the traditional perception of an issue to ensure a secure treaty basis for regulation (e.g. working time as a health and safety issue); while the European Court of Justice (ECJ) has increased spillover pressures through its interpretation of the initial treaty references. Leibfried and Pierson (2000) argue that the explicit exclusion of a number of issues of ‘high politics’, including wages and tax harmonisation, from the European mandate is a reflection of the remaining power of national interests and institutional constraints (see Table 12), but even these competencies are coming under pressure of economic and judicial spillover, particularly wage policies under the framework of EMU (Dyson, 2000).

Table 11 Assignment of explicit social policy competences to the EU: selected examples

Competences	EEC (1957)	SEA (1986)	TEU (1992)	Social protocol (1992)	CTEU (1997)
Free movement of labour	Unan 48-50	QMV	QMV	No impact	QMV 39-40
Gender equality in pay	Unan 119	Unan	Unan	QMV	QMV 141
Social security and worker protection	No ref	No ref	No ref	Unan	Unan 137 (3)i
Funding for employment policies	No ref	No ref	No ref	Unan	Unan 137 (3)v
Pay	No ref	No ref	Excl. 100a (2)c	Excl.	Excl. 137 (6)

Unan = unanimity; QMV = qualified majority voting; no ref = no reference to competence; Excl. = competence explicitly excluded.

Heavier shading denotes less competence. Heaviest shading shows explicit denial of competences since 1992. Numbers refer to articles in treaties.

Source: Leibfried and Pierson, 2000; 274

In the last 15 years, alternative means of regulating the labour market have developed at European level, largely to try to avoid the increasing difficulties associated with the community method and the recognition of persistent national institutional diversity. For instance, Streeck (1995b) has written consistently on the development of forms of ‘neo-voluntarism’ or soft law, by which European legislators have opted for joint opinions, declarations, codes of conduct and recommendations (among other instruments) rather than traditional ‘hard regulation’ via regulations or directives. Sisson and Marginson (2001) argue that this development is a central characteristic of the Europeanisation of state functions. Keller (2001) proposes that these policy mechanisms have been favoured because they are easier to achieve, resulting in fewer conflicts of interest between the actors.

Moreover, in terms of ‘hard regulation’, a paradigmatic change has taken place in European law from minimum standards to framework agreements (Teague, 2000b). Sisson and Marginson (2001) argue that the ‘softening’ of European labour market regulation is less a result of employer opposition than recognition of the ‘dynamic complexity’ of European integration. This complexity

is not temporary, in the sense that there is a defined destination point, but rather a permanent process.

European institutions and their jurisdiction

According to the membership criteria of the European Union, European law has primacy over national law. The European Court of Justice (ECJ), as the sole means of treaty interpretation, has played a major role in the Europeanisation of state industrial relations functions (Sandholtz and Stone Sweet, 1998; Leibfried and Pierson, 2000). Stone Sweet (2002) argues that a key factor in the Europeanisation of legal functions has been the notion of judicial discretion. The treaties (as compared with most constitutions) are relatively vague which leaves much room for proactive interpretation by judges, but the norms developed at European level also often challenge national norms, thus a high degree of inter-judicial dialogue has developed alongside the ECJ. Ultimately, the procedural rules for the reversal of a European decision (unanimity in the Council and ratification nationally) engender the same institutional dilemmas as attempts at 'positive integration'. This legal hegemony is one of the key features which disguises European integration from other models of regional integration (e.g. Mercosur or NAFTA) (Nugent, 1999).

The impact of the SEM and closer economic integration in general have increasingly impinged on national social policy instruments and objectives outside the EU's mandate through 'negative integration', via the application of European competition and single market case law. Examples may be found in case law stemming from the freedom of movement of workers (Treaty of Rome) on working rights and entitlements, gender equality, and health and safety, and stemming from the freedom of movement for services (Treaty of Rome) on services of general interest, private or mixed health and insurance services. Leibfried and Pierson (2000) argue that the ECJ has taken a market policing role, ensuring that the member states observe commonly agreed standards and norms, but the crux for national social competences is the basic definition of 'economic activity' at the core of European competition law. European case law indicates that if in doubt national welfare policies are considered as a form of economic activity, and thus under the jurisdiction of competition law (e.g. the *Kohll* (1996) or *Decker* (1995) cases). This has had major implications for mixed-systems of service provision (combining public and private features). Over the last 50 years, the number of cases being brought to the ECJ on social issues has increased dramatically (see Table 11).

Table 12 The distribution of the European Court of Justice caseload, 1961-95

Period	Social security (Article 51 (EEC) now 42 (CTEU))		Social provisions (Articles 117-22 (EEC) now 136-45 (CTEU))		Freedom of movement of workers (48-50 (EEC), 39-42 (CTEU))		Social policy (all)	
	% of cases	No. of cases	% of cases	No. of cases	% of cases	No. of cases	% of cases	No. of cases
1961-70	19.7	20	0.7	1	0.7	1	21.1	22
1971-75	12.5	44	0.3	1	4.3	15	17.1	60
1976-80	10.3	72	1.1	8	2	14	13.4	94
1981-85	8.4	63	3.7	28	4.1	31	16.2	122
1986-90	9.1	74	4.2	34	5	41	18.3	149
1991-95	10	108	8.8	95	2.2	35	21	238

Source: Stone Sweet and Brunell, 1997: 82-3

Interestingly, the development of soft law at European level has had implications for the role of the ECJ, since the legal, or treaty basis of many soft regulations is questionable. This is particularly true of the so-called open method of coordination, and at present it seems unclear from the literature reviewed how these institutional developments will affect each other.

European institutions as process facilitator

Of all the state actors at European level, it is the Commission that has performed the role of process facilitator in industrial relations matters. Since the 1970s successive commissioners have attempted to bring the social partners together at European level to discuss matters of common interest. There are a number of studies that chart this process; perhaps one of the most exhaustive is by Falkner (2000). She argues that over time a corporatist framework is being constructed at European level, in which the Commission proactively encourages select national socio-economic actors to work together at European level and interact with the EU policy-making system. As already outlined those of a neofunctionalist persuasion have considered this process to be cultivated spillover (e.g. Strøby Jensen, 2000). In terms of the social dialogue, Falkner (2000) analyses the active role played by the Commission in the development of the Maastricht social protocol, both in the 'intergovernmental' discussions and in the formation of a strong policy coalition (Kingdon, 1984). The state role in the social dialogue is discussed in more detail in the next section.

European institutions as employer

The European institutions also play the role of employer, with the European Court of Justice performing as a labour court for those employed at European level. Shore (2000) provides a substantial sociological analysis of the institutional cultures within the European institutions. At the end of the year 2000, 26,058 positions were officially established within different institutions of the European Union (European Parliament: 4,121; European Council: 2,543; Commission: 17,087; Court of Justice, Court of Auditors, and Court of First Instance: 1,562; Economic and Social Committee: 519; and the Committee of the Regions: 226 positions – see European Commission, 2000a).¹

In conclusion, a vast amount of literature has emerged in the last 50 years on the development of state functions at European level. The majority of this literature has been contributed from a political science perspective. This short literature review tries to give a broad overview of this literature.

European social dialogue

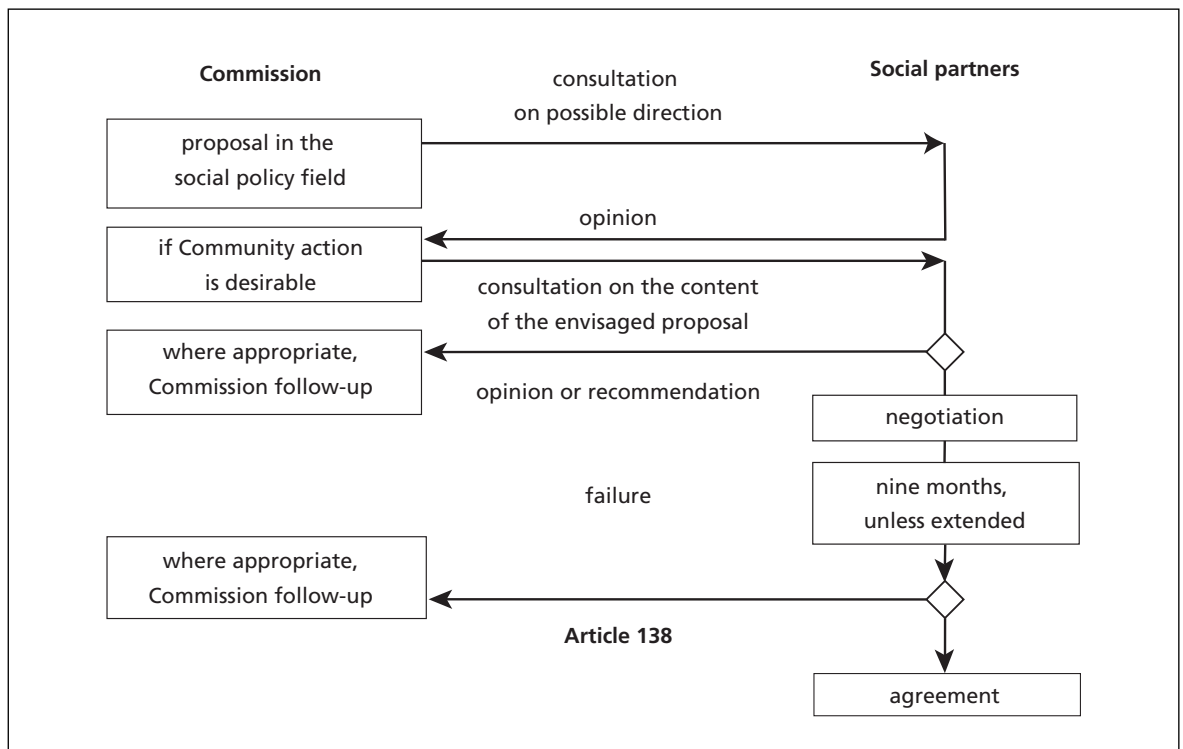
Over the years, many definitions of 'European social dialogue' have emerged and many continue to influence research. For instance, Braud (1998) provides an overview of the current framework and different bodies of 'EU social dialogue' in the broadest sense (including consultation by EU institutions, autonomous debate, and even negotiations – see also European Commission, 1996a). Others take a narrower view of 'EU social dialogue' (e.g. Bailacq, 2000; Lapeyre, 2000; Nunin, 2001). On the other hand, Lo Faro (2000) uses the term 'European collective bargaining' throughout his analysis (and in the subtitle), it is clear from the book's introduction that its usage

¹ For a comparison of income levels between employees working for the EU and those working for national institutions see Jacobi (1997).

is specifically in relation to the procedures established in the social chapter of the Treaty, providing the general framework for the EU social dialogue.

For the purposes of this literature review, the definition adopted by the Commission with reference to ‘agreement on social policy’ is used, i.e. the social dialogue which can lead to legally or contractually binding framework agreements: see Figure 21 (European Commission, 1996a). As regards EU sectoral dialogue, definitions are drawn from the Commission’s decision of 1998 (European Commission, 1998). This is actually also the definition of ‘social dialogue’ that the EU social partners themselves adhered to in relation to their joint Declaration for the Laeken Summit under the Belgian Presidency in 2001 (ETUC, UNICE and CEEP, Joint contribution by the social partners to the Laeken European Council, 7 December 2001). The EU social partners also witnessed that the term ‘social dialogue’ has progressively been used to designate any type of activity involving the social partners. They therefore insist on the importance of making a clear distinction between three different types of activities involving the social partners:

Figure 21 The social dialogue under article 138



Source: European Commission, 2000b: 12

- **Tripartite concertation** to designate exchanges between the social partners and European public authorities;
- **Consultation of the social partners** to designate the activities of advisory committees and official consultations in the spirit of article 137 of the Treaty;
- **Social dialogue** to designate bipartite work by the social partners, whether or not prompted by the Commission’s official consultations based on article 137 and 138 of the Treaty.

Evaluating the EU social dialogue

The literature focusing on the strengths and weaknesses of the EU social dialogue to date, can be divided into five categories (seven points):

- Legal/constitutional arguments (point 1);
- Organisational problems within the structures of the parties (including the relationship to their affiliates) (points 2 and 3);
- The power relations between the parties and the interpretation by the parties of the objectives of the dialogue (point 4);
- The substantive issues dealt with to date (or rather those that remain unconsidered) (point 5);
- The input of the EU institutions (point 6), particularly the link to the European Parliament (point 7).

1. Jacobs and Ojeda Avilés (1999) provide a relatively comprehensive overview of the legal and constitutional problems arising from the conceptual base and procedures of the EU social dialogue. They address a number of issues, including the voting procedures in the Council of Ministers (e.g. the differences in negotiating behaviour when the subject matter of the agreement requires unanimity or qualified majority) and the related importance of subsidiarity (see also Dølvik, 1999); the relationship with the Council of Ministers (i.e. the checks made by the Commission and the Council when assenting to the incorporation of an agreement into a directive); the ambiguous relationship between the EU social dialogue and the European Parliament (particularly the legal possibilities for the European Parliament to overcome its restricted mandated role); the ambiguous relationship with ECOSOC and the need to redefine its role; the important but controversial role of the Commission (see below); and the problems which might arise concerning subsequent interpretations of agreements/directives.

In the margins of this legal debate appears the question of the 'representativeness' of the social partners, as Jacobs and Ojeda Avilés (1999), IST (1999) and Bailacq (2000) have discussed. One issue that appears to have been settled politically for the moment, via the Commission's guidelines (European Commission, 1993b), but one which has previously given rise to legal problems, is the legal scope of agreements *vis-à-vis* small and medium-size businesses, given the absence of their representatives (UEAPME) from the negotiations. This issue was initially dealt with in the UEAPME case to the European Court of Justice (T-135/96 UEAPME versus Council) in relation to the parental leave directive. In the short term, the ECJ interpretation settled the issue, although, according to Jacobs and Ojeda Avilés (1999), the judgment is both clear and opaque. In any case, it led to a subsequent political agreement between UNICE and UEAPME, which outlined the composition of the employers' representation at the negotiation table with a view to adequately representing small and medium-size enterprises (Pochet and Arcq, 1998, 1999).

2. In addition, many scholars see the internal organisation of the social partners, in particular the ETUC, as a cause of weakness both in building a more effective EU social dialogue, and for the actors themselves. In exploring this weakness, authors have made reference to organisational features, such as weak internal cohesion and central authority, and scant resources (Dølvik, 1999; Ebbinghaus and Visser, 1994: 242), and the internal voting procedures to initiate negotiations and adopt concluded agreements (Jacobs and Ojeda Avilés, 1999; Pochet and Arcq, 1999).

Fundamentally, most authors highlight the power relationship between the EU social partners and their affiliates (see, for instance, Lecher and Platzer, 1998; Pochet and Arcq, 1998; Dølvik, 1999; Bailacq, 2000). In particular Rhodes (1995: 90) refers to the role of national business interests: '[k]eeping UNICE weak has allowed business interests to avoid its cooption into a corporatist policymaking process, and the Union's complex, multilayered structure has encouraged diversity'.

3. As regards the relationship between national and EU social partners, Streeck (1997a) argues that regulating via framework collective agreements offers affiliates of European peak associations of business and labour an opportunity to block legislation that could diminish their standing and upset their mutual relations in the respective national systems. This debate has primarily focused on the employee side of the equation. Thus, Euro-corporatism in effect safeguards the diversity of national institutions, especially the various national corporatist arrangements. In addition, Streeck (1997a) pleads for closer involvement of the 'social partners' in European social policy-making, represented by organisations that in turn represent national peak associations, as the best way of protecting national corporatist arrangements from a possible statist agenda on the part of the Commission and the member states of the Council. If this is a valid concern we should not be surprised that EU actors have had problems convincing their affiliates of the 'added value' of EU social dialogue and its products. According to Freyssinet *et al* (1998), the role of national social actors (governments, trade unions, and employers) as regards European integration was until the 1990s relatively weak due to attitudinal differences. Sörries (1999) refers also to the different stages of development of thinking on the trade union side in relation to the EU social dialogue. Only since the early 1990s, have the different actors seen European integration as an important objective in national social debates. However, as a result of their heritage, intervention was usually approached from the perspective of national industrial relations systems. Freyssinet *et al* see similar problems in the developing dynamics of the EU sectoral social dialogue, which may obstruct the development of European sectoral collective bargaining. Future development of the roles of national actors towards EU social dialogue will most likely depend on their attitudes towards, and the development of, national tripartite social dialogue focusing on European issues and, secondly, the internal mobilisation of the actors (creation of EU departments inside national and subnational organisations, alliances between national and regional level organisations, etc.).
4. The sudden establishment of this Euro-corporatism has given rise to conflicting interpretations of the role played by the Maastricht Social Agreement in influencing the perceptions, strategies, and behaviour of the political and organisational actors involved, as analysed by Dølvik (1999). The agreement led to the emergence of a (unequal) power relationship between the major players (that is, ETUC and UNICE; for an extensive analysis of UNICE's impact so far, see Matyja, 1999). Some scholars have argued that the weakness of the EU social dialogue largely stems from the inherent weaknesses of the unions. Such union weaknesses include fundamental political differences on European integration, but more specifically divergent perceptions of the purpose of social dialogue and the prospects for collective agreements at European level have also been highlighted (e.g. Lecher and Platzer, 1998; Keller and Sörries, 1997). This is evident from the fact that employers are able to refuse to negotiate, with few adverse consequences, whereas the trade union movement requires the dialogue to pursue its demands (Degryse, 2000b). This has resulted in considerable resistance from the employers'

side to negotiate unless threatened with legislation (Gobin, 1997; Dølvik, 1999; Pochet and Arcq, 1999, 2000; Nunin, 2001).

5. In addition, the substantive issues addressed allow some scholarly evaluation of the strengths and weaknesses of the EU social dialogue. For instance, Blanpain (2001), Dølvik (2000) and Weiss (2001) see major difficulties arising from the fact that discussion of a number of issues – such as pay, freedom of association, and collective action – is excluded within the scope of the dialogue. In particular, Dølvik (2000) considers the preclusion of transnational rights to industrial action as a central weakness of the current approach to the EU social dialogue. Lo Faro (2000) considers that the delimitation of potential issues means that the legal relevance of agreements is conditional on the observance of predefined limits as to the content, which have been defined by the EU institutions. Degryse (2000a,2000b) argues that the issues negotiated so far have only been related to ‘employment’ in the narrowest sense. Issues of a ‘macro-economic nature’ as well as social issues, such as social exclusion, poverty, and immigration, which would be crucial in a coherent European social model, have not been addressed. Concerning the latter issues, he pleads for integration of the civil dialogue into the social dialogue, which could provide added value.
6. As to the impact of EU institutions, in particular the EU Commission, Lyon-Caen (1972) foresaw that the Commission would be a catalyst for social dialogue, at least in an initial phase. More recently, Nunin (2001) has devoted particular attention to the role of the Commission in the development of the European social dialogue, underlining how this seems to have been a useful instrument for the Commission to overcome the regulatory impasses as regards social policy at the European institutional level. On the other hand, Gobin (1997) considers the social dialogue as a kind of ‘scapegoat’, allowing the Commission to shift legislative responsibilities on to the social partners. This has been contested by Kowalsky (2000), and albeit phrased differently, supported by Dølvik (1999). Lo Faro (2000) considers ongoing European collective bargaining not to be a real product of collective autonomy but rather as an alternative Community source of regulation and legitimacy. It was the Community’s own regulatory difficulties rather than presumed supranational collective autonomy which lay behind the inception of collective bargaining as a Community decision-making process. Moreover, Lo Faro believes that the institutionalisation of European collective bargaining – with its substantive limitations – has corresponded to the ambitions of institutional actors to overcome, at least partially, the regulatory problems of the Community (Streeck (1994) argues the contrary). Degryse (2000a) reflects that the EU institutions should not follow this path. However, an alternative direction might be opened through autonomous social dialogue at the European level (European Commission, 1999).
7. If the trends outlined above continue, in the medium to long-term, the EU social partners will be left to their own devices within the current power relationship. Following the earlier reference to the (restricted) role of the European Parliament, it is interesting to note that Degryse (2000b) ponders the absence of a strong tie between the social partners, in particular the ETUC and European political groups, a tie which is fundamental in many national industrial relations systems. The frustration of the European Parliament has concerned the ETUC: Lapeyre (1997) argues that in its post-negotiation reflections, the ETUC has stressed the need for the European Parliament to play a fuller role in proposing legislation on fundamental social rights. This should be seen as a mechanism in the dynamic between collectively agreed and statutory provisions, which the ETUC considers of fundamental importance. Significantly, any issue

considered for the social dialogue will be assessed to ensure that collective bargaining is the most appropriate route.

Results and impact

The literature on the outcome of the EU social dialogue can be divided into three groups: (a) analyses and impressions of the general conceptual framework and the agreements at EU level; (b) descriptions of the results achieved so far; and (c) analyses of the agreements and their impact on national level (although these are still few and far between).

1. The first group are often legal analyses: Lyon-Caen's study (1972) for the European Commission could be considered as visionary, although built upon Schnorr's study (1961) on the possibility of creating collective agreements at Community level. Interestingly, the study was written in a period in which Community social policy and labour law were undeveloped and the ETUC was not formally developed. Lyon-Caen (1972) started his contribution with a strong plea for collective bargaining at community level, which he considered as the heart of any industrial relations system. It is interesting that the negative and positive facets of European collective bargaining, which he identified in 1972, are still of concern and in a number of respects remain unresolved: for instance, legal problems with the content of agreements (which, according to Lyon-Caen, should have been decided autonomously by the parties within the margins set by public order, although he considered 'pay' a non-negotiable item at the Community level); the conclusion of agreements (questions of the representativeness of the concluding parties); and implementation (e.g. the hierarchy of norms as established by Treaty; recognition by the member states; extension of implementation). Despite the variety of legal problems, Lyon-Caen did not plead for the establishment of a unified European statute for collective agreements and warned against over regulation. Instead, he proposed the development of a 'code of conduct for collective bargaining at Community level', with chapters on resolution of implementation conflicts (a crucial issue for the social dialogue today) and the interdependence of interprofessional and sectoral social dialogue. Based on a very detailed and comprehensive legal analysis of European collective agreements and its current legal framework, Deinert (1999) concludes that the legal void has not been filled. Furthermore, he argues that 'the law on European collective agreements' could be described as unwritten law, which has both advantages and disadvantages for the process and its outcomes. However, he is convinced that further experience will enable the creation of this legal framework step by step.

Table 13 Evaluation of the social dialogue

Agreement	Parental leave (agreement 12/1995; directive 96/34/EC, 3/6/1996, OJL145, 19/6/96: 4-9)
	Part-time work (agreement 6/1997; directive 97/81/EC, 15/12/97, OJL 014, 20/1/98: 9-14)
	Working time in agricultural sector (agreement 6/1997; voluntary implementation)
	Working time in sea transport (agreement 9/1998; directive 63/99/EC, 21/6/99, OJL 167: 33-37)
	Fixed term contracts (agreement 3/1999; directive 70/99/EC, 28/6/99, OJL 175, 10/7/99: 43-48)
	Working time in civil aviation (agreement; directive 2000/78/EC, 27/11/2000, OJL 302, 01/12/2000:37)
Legislation	European works councils (directive 94/45/EC, 22/9/94, OJL 254, 30/9/94:64)
	Reversal of burden of proof (directive 97/80/EC, 15/12/97, OJL 014, 20/01/98:6)
Failure	Negotiations on temporary agency work (started June 2000 – broke-down; March 2001)

Source: ETUI

2. For coherent and objective descriptions and a first analysis of the agreements we can refer to Clauwaert and Harger (2000), Keller and Sörries (1999a), Sörries (1999), Degryse, (2000a, 2000b), and Nunin (2001) — see Table 13. Currently, little research has been conducted on national implementation and effect.

With reference to the impact of a European industrial relations system in general, but certainly applicable to the social dialogue as well, Streeck and Schmitter (1991: 140) consider that ‘While for unions from advanced economies a joint European strategy is unlikely to offer improvements over what they have already gained on their own, to unions from weaker countries common demands tend to appear unrealistically ambitious and remote from their everyday practical concerns.’ Concerning the impact of the EU framework agreements in general, Dølvik (1999) agrees that tangible results are relatively limited; these were obtained through the use of the ‘negotiate or we will legislate’ formula, which has often been the main incentive for UNICE to accept negotiations. Gobin (1997), Keller and Sörries (1999a), and Nunin (2001) support him in this hypothesis. In considering the weaknesses of the EU social dialogue (as described above), Keller and Sörries (1999b) are convinced that it is reasonable to assume that the considerable gap between economic and social integration will not be bridged in the future by corporatist arrangements. Keller (2001: 174) even thinks that ‘we can see the few available outcomes neither as a sustainable basis for more substantial negotiations between the social partners nor as the seeds of a ‘European industrial relations system’. Indeed, Keller believes that the view frequently expressed in the literature that the social protocol has ‘considerable potential to bring about European-level bargaining’ (e.g. Molitor 1997: 295) is incorrect. Many scholars are convinced that the impact of the agreements will, to a large extent, depend on the means of implementation. This was the foundation of Lo Faro’s argument (2000), which makes a distinction between two types of European collective bargaining, but draws a similar conclusion from both. On the one hand, there is ‘inconsequential collective bargaining’ (or ‘weak’ agreements, where reference is made to European collective agreements implemented in accordance with the procedures and practices specific to management and labour and the member states) and, on the other, ‘tied collective bargaining’ (or ‘strong’ agreements, where European collective agreements are implemented through Council decisions). Lo Faro’s conclusion was that only the latter has played a significant role within the Community legal order, and so the only way out of the impasse between the two forms would be through a radical institutional reform that would bring the Community legal order into line with its stated intentions. Hall (1994) also predicted uncertainty, particularly when using the voluntary route of implementation via national collective bargaining, which would lead to an ‘indirect and almost inevitably patchy impact’. Keller and Sörries (1999b: 119) also identify problems in this regard, since in principle EU instruments should provide 100% coverage of the workforce. According to their argument ‘an implicit prerequisite would either be a very highly centralised national bargaining system including the participating associations/confederations on both sides or, alternatively, close, strict co-ordination of sectoral bargaining’. This must be seen in connection with the absence of an ‘erga omnes-procedure’² in several states. These conclusions are inherently prejudiced, since the ‘voluntary’ route has not been used to date but is currently being considered for the implementation of an eventual framework agreement on tele-working. Jacobs and Ojeda Avilés (1999) have been more positive on this since – based on a literature review – they considered that although the text of Article 139 suggests that binding force will vary depending on

² A legal declaration that makes collective agreements binding in general and extends the content of the agreement beyond the membership of the signatory parties.

each member state's provisions, the underlying aim is to ensure that European agreements receive treatment equal to those concluded at national level. They note that it is customary in Europe to consider a collective agreement as more than merely a recommendation to the affiliate membership, and rather as a binding legal agreement; this prompts national actors to directly incorporate European agreements into the everyday activities and practice of industrial relations actors, with regard to collective bargaining.

Alternatively, Deinert (1999) heavily criticises those who wish to discourage the EU social partners by laying down that their agreements have no a priori effect whatsoever, since such preclusions could halt the negotiation of future agreements.

As for the impact of individual agreements, this seems to be rarely touched upon in the literature; few authors have devoted their research to in-depth, comprehensive, and comparative analysis of agreements. Clauwaert and Harger (2000) provide an overview of how the most important features of the Parental leave agreement/directive have been implemented by the 15 member states, via legislation or collective agreement. The conclusion was that the implementation of the parental leave agreement would have significant legal implications in the various member states, but that this effect was minimised by the absence of an accompanying change in social trends and attitudes, leading to more men choosing to take parental leave. According to the authors, this raises the key question for research of the real reasons behind the fact that more men, and even women, do not take parental leave (even in countries where such leave is reasonably well paid). Concerning the fixed-term work agreement, Blanpain (1999) concluded that even before the deadline for implementation has passed, the agreement would only have a marginal impact, because it was based on 'the Community's lowest common denominator'. Alternatively, Vigneau *et al* (1999) provide thorough and sometimes innovative analyses of the negotiations leading to the conclusion of this framework agreement, the agreement itself, its interpretation and relationship to EC law, the implications of the Directive for national laws, with the emphasis on the principles of non-discrimination and non-abuse, as well as comments by representatives of the parties to the framework agreement.

The EU sectoral social dialogue

The literature on the EU sectoral social dialogue, its development, and possible future is meagre, primarily because the European institutions recently revamped it. Apart from some developmental descriptions (for instance, Lyon-Caen, 1972 for the period 1961–72, and Nunin, 2001 on more recent developments), thorough analysis is scarce, despite the major importance attached to this process, particularly by the ETUC. The Commission Communication of 1996 (European Commission, 1996a) rightly refers to the fact that some of the earliest social dialogue structures were often in sectors with particular economic or employment significance. However, it was the Commission that appointed those organisations which represent at European level the national confederations in the sectors concerned. What we might call 'tripartite sectoral social dialogue' obviously has its merits given the hundreds of opinions concluded within its framework. However, there was a clear need to change the system and to enter into more 'bipartite sectoral social dialogue', which is the objective of the Commission's Decision of 1998 (European Commission, 1998). This form of sectoral social dialogue, in particular will be scrutinised here. Nunin (2001) predicts that the sectoral social dialogue will, in the short term, have the potential to be a useful instrument in the face of collective bargaining problems, which might arise under EMU, and in

aiding the coordination of collective bargaining. Keller and Sörries (1999a) provide counter-arguments to this analysis. Concerning the potential of sectoral dialogue, Gennard *et al* (2000) analysed the difficulties of social dialogue in the graphics sector and showed that many of the problems identified in the intersectoral dialogue (such as differences between national affiliated unions, management opposition, and the resources available), are also identifiable in sectoral initiatives (see also Keller and Sörries, 1997: 109 (where they add the problem of UNICE's inclination to avoid regulation also for the sectoral level) and 1999a: 91; as well as Sörries, 1999; Keller, 2001). According to Pochet and Arcq (1998), crucially, there is a lack of sectoral representation in UNICE's structure, unlike the ETUC. This organisational discrepancy led Keller and Sörries (1997: 91; 1999a) to agree with Traxler's conclusion (1996a) that currently UNICE is not in a position to standardise the sectoral interests of European firms. The recently established informal network of sectoral business associations within UNICE (called the 'European Employers' Network') might bring progress in this regard. Keller and Sörries (1997: 109) doubt that this will occur, however, since they think that sectoral Euro-associations, regarding themselves as trade associations, will hesitate to take on the responsibilities of an employers' organisation (see also Martin and Ross, 1999: 152; Streeck, 1994: 167). According to Grahl and Teague (1991: 60), the trade union side is also not without fault since they consider that a 'lack of resources coupled with differences over strategy and policy has resulted in many of the trade union industrial committees losing their way, neither meeting the needs of trade unions at sectoral level nor making an effective input into the institutional structure of the Community'. Martin and Ross (1999) see a major reason for the low level of sectoral social dialogue in the fact that the Commission's efforts to overcome the employers' resistance are quite feeble. Keller and Sörries (1999b) argue, however, for a more sophisticated system of industrial relations that could secure additional momentum from the sectoral level, as a result of their conviction that interprofessional dialogue should take only limited credit for the development of European industrial relations. For Keller and Sörries (1999b: 98) the necessary basic legal provisions for future progress in the EU sectoral dialogue are missing, something which should be settled by a major revision of the Treaty on European Union with a view to narrowing the gap between economic and social integration (Blanpain, 2001; Weiss, 2001). In any case, heterogeneity across the different sectors also needs to be overcome, as shown by Sörries (1999) in his analysis of the EU sectoral social dialogue in the construction, telecommunications, and hotels and catering sectors.

In light of the implications of EU enlargement, and based on the comparative study by Draus (2000), debates at the Bratislava conference on social dialogue in the Central and Eastern European accession countries confirmed the weaknesses of sectoral social dialogue frameworks in a number of the candidate countries, existing mainly as a result of the absence of adequate structures and representative social partners (ETUC *et al* 2001; also Vaughan-Whitehead, 2000: 396; Kohl *et al*, 2000a: 413; ILO and EU, 2001). At the moment, it is questionable how the enlargement countries could contribute positively to the sectoral social dialogue, except through representation at the negotiation table. However, UNICE representatives consider that the absence of sectoral agreements in these countries does not necessarily pose major problems: for instance, in some countries there are systems within the framework of which sectoral organisations do not want to negotiate an agreement for the entire sector, but intervene to assist in the negotiation of agreements at individual companies (De Liedekerke, 2001: 30). De Liedekerke argues that there is no universal model of social dialogue and that the social partners in each country are best placed to determine which system suits them.

Following a historical, descriptive, and analytical exploration of the sectoral social dialogue, which allows contextualisation and definition of the problems faced, Keller and Sörries (1999b: 85) identify a number of reasons for the particular importance of EU sectoral social dialogue. These include the ability to address specific aspects of sectoral restructuring, including the social consequences of EMU, since in many countries national bargaining takes place at the sectoral level (the latter point is also considered in Keller and Sörries, 1997: 91).

The future of social dialogue

Both Degimbe (1999) and Theodossis (2000) are convinced that the future will depend largely on the good will of the parties concerned, initiating negotiations while overcoming their differences (internal and external). Theodossis (2000) also discusses whether it would be useful to link the right to collective bargaining with an obligation on all parties to negotiate (with penalties in case of refusal). This was attempted tentatively in the EWC directive. In any case, the parties' goodwill and their ability to overcome current and future obstacles will, according to Degimbe (1999), determine whether the EU social partners achieve harmonisation in the social policy arena comparable to that in the monetary, commercial, and economic policy arenas.

Jacobs and Ojeda Avilés (1999) acknowledge that through the Agreement on Social Policy (ASP) a new legislative structure was created, which was incorporated in the European treaties by virtue of the Treaty of Amsterdam. The future of the social dialogue will depend on how legal structures, among other factors, will relate to this new constitutional dimension (see also Hall, 1994; Blanpain, 2001). Kowalsky (2000) is convinced that the establishment of a well-functioning system of European industrial relations (including a well-developed European collective bargaining policy) will remain an important method of social integration, within the framework of which the limits and capabilities of the different contractual and legislative methods have to be clearly demarcated. A decisive step towards this European industrial relations system would also be taken if the national trade unions were able to coordinate their collective bargaining capacity on a European sectoral basis.

Regarding the European social dialogue's future prospects, Nunin (2001) considers that institutional dilemmas related to the enlargement of the EU to Central and Eastern Europe should not obscure the emerging social problems connected to the process. The recent integration of Central and Eastern European social partners in the EU social partners' organisations has been highlighted by Nunin as an appropriate means of impressing on them the importance of social dialogue within the legal and institutional dimensions of the Community's *acquis* (see also Vaughan-Whitehead, 2000: 394; Kohl *et al*, 2000a: 413). This crucial and interactive role of the social partners at both EU and national level in the development of EU social dialogue was stressed at a first major conference between European Commission and EU and national social partners in Warsaw in 1999 (European Commission, 1999); as was cross-border cooperation between the social partners of these countries, which was considered vital. However, this would also require the resolution of many industrial relations problems still confronting the respective social partners. The social dialogue, which is still largely tripartite, and has been described by Martin (1997: 181) as 'directive corporatism', has been called into question as the most appropriate way to move forward and, if so, on which issues (see Vaughan-Whitehead, 1999: 16; De Liedekerke, 2001: 30; Kohl *et al*, 2000a: 413). There is a need for the complementary development of channels of social dialogue, and of bilateral negotiations, on national, regional,

sectoral, and enterprise level, which should not make the tripartite European dialogue obsolete, but add complementary layers (Kohl *et al*, 2000a: 413). Following Héthy (2001), these weaknesses largely remain invisible while ‘social dialogue friendly’ governments are in office, but prove fatal when the administration is hostile. This is a fragile basis for tripartism, according to Martin and Cristesco-Martin (1999: 171). However, they, together with Héthy (2001), are convinced that tripartite practices will survive in one form or another (even in Central and Eastern Europe). According to Vaughan-Whitehead, the effective involvement of social partners from CEECs in national (and EU) social dialogue is hampered by the lack of representativeness of some social partners, the sheer number of organisations in some countries, and imbalances between their parallel roles at the relevant levels (European Commission, 1999: 17; Draus, 2000). In addition, Boda and Neumann (2000: 432) add the lack or inadequacy of the necessary expertise. According to Pochet and Arcq (1998: 183) another weakness has been the continuing divergence between UNICE and ETUC as regards perceptions of the process; ETUC sees enlargement as a means of furthering the European model of economic and social development, whereas UNICE warns ‘against the temptation of imposing systems in those countries which would not suit their needs’. This difference has been approached through joint ventures, such as the recent so-called ‘Bratislava conference’ of 16 and 17 March 2001, which could be considered a milestone (ETUC *et al*, 2001). This conference also witnessed the EU social partners’ commitment to involving social partners from the candidate countries in the EU social dialogue process, called for by EU officials and scholars (Vaughan-Whitehead, 2000; Tóth and Langewiesche, 2000: 382). The ETUC has begun to implement this commitment through the incorporation of a representative from the CEECs in the telework negotiations’ delegation.

From a global perspective, Degryse (2000b) urges the EU social partners to approach Europe and its social model (including social dialogue) not as an ‘island’ in the world, as some EU actors occasionally do; on the contrary, EU social actors should internationally promote the European social model to commercial organisations and other regions of the world and pursue its objectives and principles within organisations such as the ILO, WTO, UNDP and OECD. Degryse considers this to be the real future of European social policy.

Conclusion

In the conclusion of this chapter, it should be stated that irrespective of whether scholars or concerned parties approach the EU social dialogue and its future from a positive or a negative position, there is tacit agreement that social Europe remains underdeveloped. This suggests that there is much foundation building to be done before a European industrial relations system, including European corporatist standard setting, can establish itself in practice (Bailacq, 2000; Kowalsky, 2000; Nunin, 2001).

More positively, Dølvik (1999: 307) considers that the so-called ‘Euro-pessimist’ criticisms of the European social dialogue are too dismissive and underestimate the potential of this emerging form of regulation, which he considers as a ‘fairly realistic compromise between the desires to limit ‘regime competition’ and preserve national models of industrial relations’; Leibfried and Pierson (1996) concur with this argument.

This chapter has underlined that there are still many hurdles facing the EU social dialogue, in terms of its effectiveness. Nevertheless, the dialogue has led to interesting results – both binding

and non-binding – which have had spillover effects at national level. As mentioned above, scholars have been hotly debating the extent and implications of these national effects, but in-depth studies of national implementation of EU agreements are still necessary.

Employment policy and the macroeconomic dialogue

This section reviews literature concerned with the questions of employment policy and macroeconomic dialogue as seen in the context of the Europeanisation of industrial relations – that is to say, through the prism of the roles of the actors and institutions of industrial relations. These issues have appeared only relatively recently in the literature. Broader questions of macroeconomic strategy and employment policy in the EU have been extensively debated, of course, but are considered to be beyond the scope of the present review.

Before turning to literature which exclusively concerns one or other of these domains, the influence of the Commission's own contributions to the debate on economic and social policy, including the issues addressed in this section will be underlined. The 'Delors White Paper' (European Commission, 1993a) is of obvious relevance here in view of its ambition to draw together macro and micro, cyclical and structural, and demand and supply-side analyses of employment and unemployment. The White paper should be seen in the context of its time, as an attempt to move beyond the 'flexibility' debate which had polarised opinion on the causes of unemployment, and to garner support for the great projects of European integration: the single market and the single currency. The active support of the social partners (not least in ensuring wage moderation) was sought, along with the approbation of the member states. The themes set out in the White paper – promoting dynamism and innovation by unleashing market forces (with the public authorities judiciously setting the regulatory framework and providing seed money for cross-border cooperation); securing greater monetary autonomy by pooling sovereignty in EMU; and modernising labour markets through negotiation and dialogue – recur in EU policy-making to the present day.

The Commission's analysis of the nature and causes of unemployment was further developed in European Commission (1995). The essence of the analysis was that about two percentage points of the unemployment rate in the EU (then 11%), could be considered purely cyclical. In the event of an increase in demand this portion of the unemployed would quickly be re-absorbed into employment. The remaining 9% was 'classical' in the sense of being linked to a lack of jobs (i.e. ultimately to a lack of profitably usable capacity). To reabsorb this part of unemployment a strong expansion of productive capacity would be required. A further disaggregation could be made, however, between those who could be considered as still closely attached to the labour market, and those (a group of 4 to 5%) who would be harder to reinsert in the labour market. The appropriate policy response for this group – which might be termed the 'structurally unemployed' – was first (as for the others) to ensure macroeconomic growth (led by investment, in order to create workplaces) and additionally to use the full panoply of active labour-market measures to promote employability. The significance of the article was, thus, its refinement of the White paper's analysis of the balance between macroeconomic and structural factors.

For the purposes of the present review it is also worth noting that the analyses of the paper were also reflected in the social dialogue discussions (see ETUC *et al*, 1995). After the 1985 'Val

Duchesse' relaunch of the social dialogue a macroeconomic working group was established (it is still functioning) see Figure 16. Though certainly a weaker manifestation of the Europeanisation of industrial relations than the post-Maastricht negotiation of framework agreements, the form of social dialogue consisting of the public authorities (the Commission) consulting the social partners on issues of public policy, and encouraging them to develop a consensual approach, including 'joint opinions', has, nevertheless, played a role in the Europeanisation of the social partners themselves.

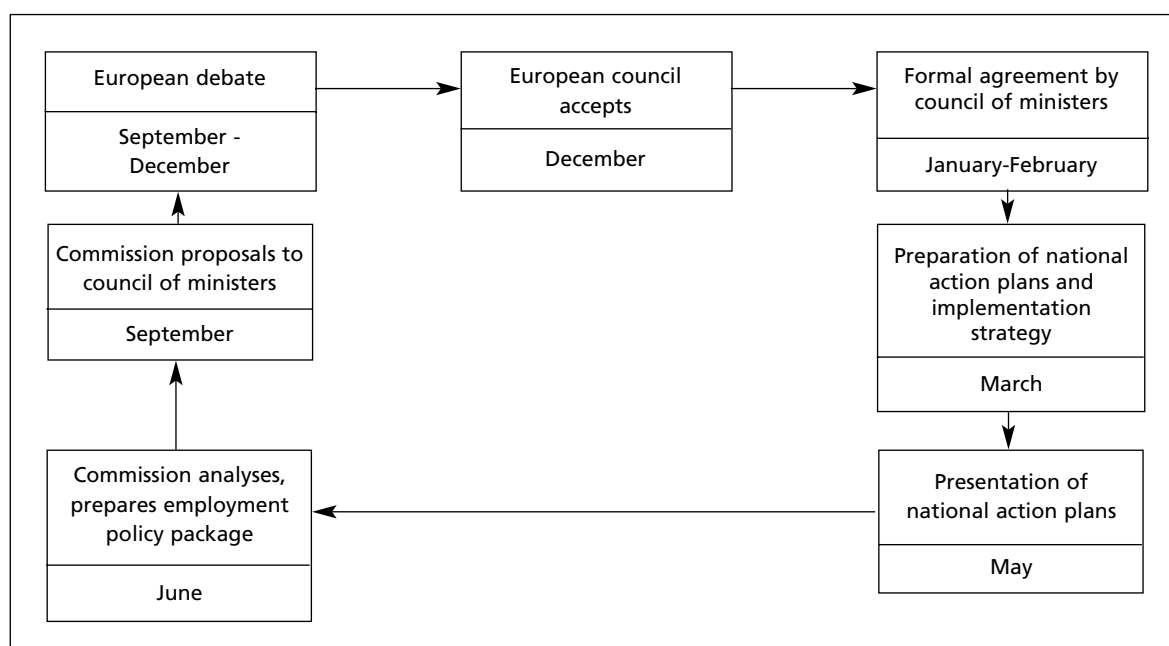
The texts on economic policy and employment included in European Commission (1997b) indicate the support of the social partners for the major projects of European integration – the single market and the single currency – while stressing the importance of the social and employment dimensions. The activities of the macroeconomic working group, not least in debating the broad economic policy guidelines (the main tool for economic policy coordination in the EU) and the role of the social partners in relation to them, can also be seen as preparing the ground for the macroeconomic dialogue (see below). The welcome given to European integration by the social partners is informed, at least on the trade union side, by the clear perception that European integration can offer a coherent response to global challenges (ETUC, 1999).

The European employment strategy

The Employment title of the Amsterdam Treaty, and the 'Luxembourg process' rather than the wider debate on employment in the EU will be focused on here. However, it should not be forgotten that employment issues were discussed at European level before the agreement to include an Employment title in the treaty. As Barnard and Deakin (1999: 119–120) note, successive European councils addressed the issue – notably Essen (1994) and Florence (1996) – and measures had been taken to use the European social fund to boost job creation, while Council regulations of 1993 and 1998 clarified the objectives of employment-related expenditure through the structural funds (including combating long-term unemployment, integrating young workers into employment, and facilitating the adaptation to changes in technology and production systems). Furthermore, the Maastricht Treaty introduced a new chapter on education, vocational training, and youth, leading in time to such initiatives as the Leonardo programme of vocational training support. At the Essen European Council a first attempt was made to coordinate employment policies (five areas of action were identified). The social partners were encouraged to contribute as they were again in 1996 with Santer's 'Confidence Pact' (Foden, 1996). However, this initiative was rather ephemeral. It was the cautious attempts to coordinate employment policy launched at Essen which were to influence the new Treaty arrangements agreed in Amsterdam. These arrangements have been summarised by a number of authors (Barnard and Deakin, 1999; Foden, 1998; Goetschy, 1999; Pochet, 1999b).

The instruments for following up these commitments included the formulation of European-level guidelines, a process of annual reporting by the member states to the Commission and Council, and the possibility for the Council (by qualified majority voting) to make recommendations to member states — see Figure 22. The guidelines themselves must be consistent with the broad economic policy guidelines and are based on the conclusions of the European Council (the summit).

Figure 22 Cycle of European employment strategy



Source: ETUI

One of the most persistent themes to emerge in the literature is the concern that economic orthodoxy dominates all other considerations. Barnard and Deakin (1999), for example, argue that Amsterdam's 'constitutionalisation' of employment policy is achieved in a way which maintains the subservience of employment and social concerns to the demands of economic integration and EMU. Thus, there is no recognition of 'full employment' as a goal of the Community.

A second concern, stressed by Barnard and Deakin (1999), is the supply-side focus of the employment title. The treaty echoes the historical development of interventions in employment policy through the ESF and the Leonardo programme, targeted essentially at the supply side of the labour market.

A third concern is that the requirements of subsidiarity restrict the role of the Community to complementing the actions of the member states, a core issue in this debate is the capacity of the European institutions to influence national policy. Keller (2001), alongside Barnard and Deakin (1999), expresses doubts as to the force of the treaty. A more nuanced approach is offered by Goetschy (1999: 125), stressing the continuity with the Essen process, and lamenting the fact that the recommendations on employment 'will lack any binding effect'.

Pochet (1999b) argues that the new title should mean that the European and national, or indeed subnational, levels interact more effectively, and that it could set up dynamic relationships in which the social players, at European and, more importantly, at national level, could become more involved. However, referring to an earlier article with Goetschy (Goetschy and Pochet, 1997), he recalls their doubts about the need for a joint approach (common guidelines) when different member states have made progress on employment through very different approaches. The methodology of the EES, especially since the Lisbon European Council of 2002 decided to generalise it as the 'open method of coordination' (OMC) has become a field of growing interest to

researchers. De la Porte and Pochet (2002) consider OMC in the fields of pensions and social exclusion as well as employment policy. The interplay of member state and European policy formation is analysed in the context of the ongoing debate on European governance. The EES has in this sense been a 'pilot project' to test the effectiveness of OMC in delivering policy coordination, a topic of some importance in view of the forthcoming enlargement of the EU.

After offering an analysis on the rationale behind the employment strategy and the emergence of an 'Employment Union', Larsson (1998) explains the four-pillar structure of the guidelines. 'The first pillar concerns employability to address the skills gap; the second refers to entrepreneurship to address the jobs gap; the third is concerned with adaptability to address the adjustment gap; and finally, the fourth is equal opportunities to address the gender gap' (1998: 401–2). While this approach is in part responding to pressures of demography and social change, it also addresses issues of competitiveness, technological change and the dilemmas of job creation for low-skilled workers – all of which are challenges of globalisation.

There is a growing volume of literature on the individual pillars, for instance, Lefresne (1999) on employability argues that the Scandinavian concept of active employment policies, which is partly behind the European strategy, highlights society's responsibility towards its most vulnerable members, and promotes the notion whereby public policy becomes a collective asset subject to fundamental agreements among the social players. 'Although the European strategy is based on many aspects of the Scandinavian concept, the corresponding definition of employability, taking into account these collective responsibilities, does not automatically emerge' (1999: 466-7).

Foden and Magnusson (2000: 237) on entrepreneurship state that while there are 'examples of progress in relation to the involvement of the social partners (and others) in the preparation of the NAPs, and in the development of appropriate indicators for assessing the success or otherwise of policy...our central concern still stands: that policy remains too focused on SMEs and self-employment, apparently on the basis of assumptions about their role in employment generation which are, at best, questionable.'

Meulders and Plasman note on adaptability (1999: 499) 'The challenge facing the social partners and governments alike is to be able to define the new contours of future working time arrangements, ensuring that the need to protect employees and achieve equity on the labour market – in particular between men and women – may be met just as rigorously as flexibility requirements.' Their conclusions in relation to the early NAPs were not very encouraging; 'there are very few constituent elements of a modernisation of work organisation to be found in these NAPs, and that in most cases the working time dimension alone is mentioned.' 'The gender dimension puts in too rare an appearance in the third pillar. The measures, plans and agreements mentioned in the NAPs are scarcely analysed at all from the point of view of their effects on inequalities between men and women as regards the distribution of working time arrangements, the over-representation of women in atypical types of contract or the under-representation of women in in-company training' (1999: 500).

The gender equality element of the EES is dealt with in greater detail in Behning and Serrano (2001). Among the findings are that the range of equality initiatives taken in pursuit of gender mainstreaming is very broad, but that most member states are at a preliminary stage. Weaknesses

of implementation identified include the fact that the main focus on women as subjects of change implies a misleading conception of gender mainstreaming, without real proposals for changing values or priorities; that rather than taking a horizontal approach, the focus has mainly been on activation; that quantitative aspects have been highlighted rather than qualitative issues; and that most of the NAPs understood gender mainstreaming in a uni-dimensional way rather than adopting a transversal approach.

Macroeconomic dialogue

The macroeconomic dialogue at EU level is a part (albeit relatively modest) of the 'architecture' of economic policy-making established over the past decade in the context of the move towards EMU. The development of the internal market, and even more the move to a single currency, has created 'Europe as an economic entity'. This has inevitably raised the question of how to manage the integrated European economy in a coordinated way. The traditional focus of this question was how to ensure that spillover effects from one national economy to another did not undermine economic performance. The failure of the French 'dash for growth' in the early 1980s, when the rest of the EU did not join the effort to promote growth and employment launched by the first Mitterand government, was an important influence in the debate (Muet, 1990).

Instead of focusing on cross-border spillovers, and how to avoid them, coordination has come to be seen as the instrument to avoid spillovers from one element of macroeconomic policy to another. The debate has been driven, of course, by the move towards EMU, within the framework of which monetary policy has become European, while budgetary policy has remained predominantly national and wage determination predominantly subnational, so aggravating the difficulties of coordination. That attempting such coordination is worthwhile is attested to by Martin (2001) who, though a critic of the macroeconomic policy regime of EMU, states that '[d]epending on the mix of all three types of policy and the extent of coordination among them, it may be possible to establish conditions under which something very much like the existing wage-setting structure in Euroland can be compatible with non-inflationary full employment' (2001: 3).

Schubert (1996: 257) addresses the issue of how to simultaneously pursue the goals of stability, growth, and employment in the completed EMU. He argues that 'budgetary policies and the setting of wages must be conducted, in the general economic policy context, taking full account of the stability aimed for by monetary policy ... There is a need here for wide-ranging co-ordination between the stability-oriented monetary policy on the one hand and the budgetary and wage policies of the social partners on the other.' He suggests that '[t]he link between objectives and co-ordination procedures, as laid down in the Treaty, could be taken up in the recitals of a piece of secondary Community legislation which could then lay down the co-ordination procedures in detail and, for example, provide for a co-ordination committee for stability, growth and employment and for compulsory consultation of the social partners' (Schubert, 1996: 258).

Taking the argument a step further, Noé (1996) urges a formal consultation of the social partners, including their adoption of an opinion which would be taken into account by the Commission in its preparation of the annual economic report, and used by the European Parliament in its contact with the ECB. 'The overall aim ... would be to produce joint recommendations, by the Commission, Council of Ministers, employers' federations and trade unions on appropriate economic and incomes policy, for submission to national governments and for use within a collective bargaining context' (Noé, 1996: 47).

The German Presidency's 1999 memorandum on their priorities and objectives foresaw the establishment of the macroeconomic dialogue in the following terms:

The principal political task is to improve the framework conditions for higher levels of employment by coordinating supply and demand policies. Wage, monetary and fiscal policies must – with the support of structural reform – complement each other so that as many new jobs as possible are created ... In a common currency area, the interrelationships between productivity, labour costs and employment will be more transparent ... It is particularly important that the wages policy ... should be guided by developments in productivity so as to preclude either a damaging race to lower wages or cost-based price increases. In such circumstances ... it should be possible for the European Central Bank, while respecting its independence, fully to exploit the existing growth and employment policy potential.

The implications of this passage would seem to be that the macroeconomic dialogue could (and perhaps should) become the arena for a major political exchange between the actors in economic and social policy at European level. This, quite obviously, would represent a major step in the Europeanisation of industrial relations. It is unclear (and a suitable topic for future research) whether the partners of the process have a common view of whether such a step would be desirable or feasible.

It is true that elements of such an exchange can be identified in the joint opinions of the European social partners dealing, in particular, with economic policy in light of EMU and in response to the Delors White Paper, the 1995 Confidence pact for employment, and the Essen initiative. But a joint opinion is an instrument for expressing consensus rather than negotiating a binding exchange. How far the consensus expressed (e.g. on wages) is significant in wage formation compared to the agreements reached at national (social pacts) or subnational level, or, indeed, compared to the impact of economic and labour market conditions, is a moot point. It is, therefore, equally unclear whether the development of a qualitative agenda in collective bargaining (training, working time, gender, job design, etc.) can be linked to a Europeanisation process through the wage moderation for which it is exchanged.

Indeed, the larger question of interaction between wage formation and the other elements of the policy-mix is treated in the EMU framework as unidimensional. The limits of such an approach are indicated in Iversen *et al* (2000), who suggest that 'the effects of monetary policies cannot be understood without paying attention to the conditioning influences of wage-bargaining structures and processes. In short, wage-bargaining and monetary policy-making interact' (2000: 12).

This underpins Keller's (1999) argument that the labour-market policy focus of the Luxembourg process is insufficient, and that a macroeconomic component is needed. However, he stresses the problem of 'maintaining the independence and autonomy of all decision-makers while at the same time ensuring voluntary co-operation' (1999: 17). Yet the remarks of the high level group appointed by the Commission (high level group on industrial relations and change 2001) are ambiguous on this issue. They argue for wage convergence based on 'catching up efforts and ... convergence on productivity levels' (2001: 5), but also stress that '[t]he single currency can also increase the demand for nominal wage flexibility' (2001: 5) and the importance of 'wage responsiveness' (2001: 10).

Perhaps it should be concluded in these fields of employment policy and macroeconomic dialogue that we need to think of 'Europeanisation' not as the shifting of actions from one (national) level to another (European), but more as the development of new forms of articulation between the different levels and, in particular, of coordination. As the preceding paragraphs demonstrate, there are many complexities to be addressed. The capacities of the various actors to adapt their structures and policies to the demands this implies will provide a rich field for research in the years to come.

European coordination of collective bargaining

As we have already seen, relatively strong bargaining coordination continues to characterise the majority of national systems of collective bargaining (see Table 17), and is considered a central feature of the European social model (Ferrera *et al.*, 2000). This section will review the literature on the European coordination of collective bargaining.

In 1999, the ETUC congress adopted a resolution on the Europeanisation of industrial relations; a key pillar of the adopted strategy was the coordination of collective bargaining. While the implementation of this resolution was left to the European industry federations, the ETUC assigned itself the role of horizontal coordinator. Importantly, the roots of this strategic decision are firmly embedded in the perceived threats to national collective bargaining systems from the process of European economic integration, particularly economic and monetary union, and the institutional framework emerging responsible for economic policies in Europe (supranational monetary policy, largely national fiscal policy and increasingly subnational wage policies). The general fear is that under the conditions of tighter economic policy coordination (see previous section) and the impracticality of a common wage policy at European level, wages in Europe will become 'functional equivalents' to other economic policy adjustments in times of crisis, generating social and wage dumping and broader regime competition (for further discussion, see Streeck, 1995b; Crouch, 2000). Such a development would threaten the very basis of many European collective bargaining systems, for instance the Rehn-Meidner model of wage solidarity (Schulten, 2001a).

When confronting this challenge, in conjunction with the interdependent challenges of globalisation outlined earlier, some scholars have presented a very pessimistic scenario, in which the unions are increasingly compelled to tailor their policies to the economic and monetary dynamics stemming from the internationalisation of their economies and the establishment of the principles of free movement of goods, services, capital, and labour within the single market. European economic integration is seen to usher in a neo-liberal regime and to undermine national structures of collective regulation. The danger that collective bargaining, whether at national and sectoral or at company and workplace level, will become displaced from the political to the economic sphere of regulation, and that the 'living wage' will give way to the market wage is highlighted, and according to this fatalistic view, pressure of this kind is already being felt by the unions and workers in the EU countries with the weakest economies, which are faced with the constraints imposed on pay negotiations by the economic and budgetary convergence criteria defined in the Maastricht Treaty (Mahnkopf and Altvater, 1995). In support of this argument, it is clear that wage restraint as a mechanism for improving international competitiveness is not a new item on the agenda of industrial relations in Europe. During the 1960s and especially during the 1970s real wage moderation was pursued in several European countries, although the extent to

which they were able to attain this goal varied. This concern intensified during the 1980s and 1990s (Kittel, 2001). There are few doubts that generalised wage moderation represented the prevailing wage development trend in a large majority of European countries during the 1990s. It is evident that, for several countries, wage moderation in the 1990s had its origins in, and represents a projection of, policies already agreed upon (or imposed unilaterally on the trade unions, as in the case of Belgium) during the previous decade. This is the case for Denmark, Finland, Ireland, the Netherlands and Norway. Generally speaking, wage moderation in the 1990s was the result of one or more of the following factors (Fajertag, 2000): the EMU convergence criteria; economic recession; trade-offs between moderation and job creation (social pacts); and attempts to secure or improve national competitiveness.

A much less pessimistic – indeed a moderately optimistic – approach is shared by a number of other researchers. Goetschy (1994) stresses the importance of ‘subsidiarity’ in stimulating and encouraging the development of a strong regional dimension in the EU, thus providing greater space for trade union intervention. She also argues that Social Europe’s paucity of substantive content cannot be concealed, but ‘the setting up of the rule-making methods and the structuration of [social] actors are dimensions which also have to be taken into account when evaluating the merits and avatars of European social policy’.

At the optimistic end of the scales, Jacobi (1995, 1996) argues that while the unions’ capacity and the employers’ willingness to establish supranational interest representation are underdeveloped. If the trade unions take on a pioneering role in Europe, they may be able to break the employers’ resistance to greater European social union. Therefore, he stresses that trade unions should repeat at the European level what they have already achieved at the national one, by turning the employers into a European collective bargaining partner. According to Jacobi, the real problem lies not in the ETUC’s weakness but in the unwillingness of the national unions to develop a coherent policy from the local to the European level and to transfer powers to the supranational level. The single market and the progress towards EMU tend to denationalise markets and to reduce the capacities of EU member states to steer their own economies and to regulate industrial relations. A ‘European wage area’ is emerging but the process is not controlled and coordinated by the unions (Teague, 2000a). In this respect, establishing a European collective bargaining area characterised by internal flexibility from the local to the transnational level should be the task of the unions. The unions should strengthen their European associations. However, first of all, coordination of their bargaining strategies and an intraunion agreement on minimum standards are imperative. In addition, the unions should develop networks of cooperation and an exchange programme for experts. An ‘enhanced cooperation’ area on social Europe could help accelerate the union integration progress. Soskice and Iversen (1998) discuss the role that coordination plays in the interaction between national industrial relations actors and central banks and the implications of a single European central bank. Fundamentally, they identify the Germanic basis of the European central bank and argue that to replicate the success of the German macroeconomic ‘signalling’ process system (between the German unions and the Bundesbank), European trade unions must be able to communicate their behaviour and demands in a coherent manner towards the ECB (also see Hall and Franzese, 1998; Marginson and Sisson, 1996; Weiler, 1998). This has been highlighted by the ETUC as a central priority in the coordination of collective bargaining, alongside the prevention of social/wage dumping (Mermet and Hoffmann, 2001).

If we look at actual developments in industrial relations in Europe since 1996, we have to recognise that some important steps have been taken in the direction of the gradual creation of a European system of industrial relations at the national and sectoral level. We have already mentioned the fact that the social partners have been increasingly confronted by pressures to adjust their bargaining policies to conform with the economic and monetary dynamics stemming from the national convergence programmes adopted by many governments in order to proceed with the implementation of EMU. In effect, in all the EU member states that declared their willingness to participate in EMU, national government policies on taxation, public spending, investment, and inflation inevitably affected the collective bargaining process at all levels, including wage determination mechanisms.

A clear example is provided by Belgium, where after the failure of tripartite negotiations on a social pact (the so-called 'Future Pact for Employment') (Serroyen and Delcroix, 1996), the government adopted in July 1996 a law reforming the wage bargaining system (law on preventive safeguarding of competitiveness and the promotion of employment) for 1997–98. The new law made it possible to negotiate wage increases up to a maximum based on the average wage increase in Belgium's three main trading partners: Germany, France, and the Netherlands. This maximum is then used as the ceiling for all talks at lower bargaining levels (i.e. sectoral and company). In this way, a 'European wage area' has been *de facto* put in place (Pochet, 1999a). The unilateral decision by the Belgian government to link wage increases to wage developments in its three neighbouring countries had the foreseeable consequence of prompting the trade unions of the four countries to hold meetings to exchange information and to coordinate their wage bargaining strategies. Thus, since 1997 the so-called Doorn group (made up of confederations and the largest sectoral federations from the Benelux and Germany) has met regularly, and since 1998 has pursued common bargaining norms and mutual learning (Mermet, 2002).

On the practical dynamics of collective bargaining coordination, and particularly wage bargaining, Hall and Franzese (1998: 509) argue that the ability of actors to coordinate their actions is determined by their organisational framework, and the nature of how five different 'nested sets of strategic interactions' interlock, i.e.:

- Each dyad of negotiators (employers and employees);
- Each negotiator and the rank and file of their respective organisation;
- Negotiators and their counterparts in different dyads;
- Negotiators collectively and the economic policy authorities;
- Policy-makers controlling monetary policy and fiscal policy. Thus, coordination of these different interfaces necessitates both horizontal and vertical forms of coordination, where the horizontal dimension refers to the synchronisation of bargaining in the different sectors and occupations and the vertical refers to the level of compliance among the rank and file (Traxler, 1999).

Importantly, in Traxler's opinion, 'economy-wide co-ordination proves to be effective only if the problem of vertical coordination can be overcome' (Traxler, 1999: 122f). He believes that European coordination can be achieved in one of three ways: 'The first way is through voluntary coordination, which takes place within a rather decentralised framework so that the problems of

vertical co-ordination emerge only on a relatively limited scale. The second way is compliance of the rank-and-file to be enforced by the state. Third the performance of voluntary, central-level forms of coordination (i.e. inter-associational, intra-associational and state sponsored coordination) comes close to the performance of pattern bargaining when they are combined with a high degree of bargaining governability' (Traxler, 1999: 122f).

Like Traxler, Ebbinghaus and Visser (1994) address the necessary conditions for effective transnational coordination. In their opinion, coordination presupposes that 'the trade unions derive mutual benefit from co-operation, possess appropriate information about the conduct of non-members of the cartel, and can detect and sanction any excesses' (Ebbinghaus and Visser, 1994: 231). Keller (2001) argues that 'voluntary co-ordination of pay bargaining is a realistic alternative [to centralised European negotiations and decentralised systems at company level], since legal adaptations can be ruled out at least in the short and medium term.' He takes this to mean that, under changed circumstances, 'the original purpose of collective bargaining' ['to take wages out of competition'] should be preserved by means of 'European co-ordination of national collective bargaining'. Teague (2000a) supports Keller's assertion that currently coordinated national bargaining may be more realistic than European peak-level bargaining, but does not discount the development of European level bargaining in the future, with coordination providing the mutual learning necessary to make such a development practical.

Meanwhile, Keller (2001: 278) emphasises that he is referring not to 'European' collective bargaining in the sense of an autonomous supranational bargaining arena or fully-fledged Europe-wide 'harmonisation', but to transnational coordination or, at best, Europe-wide networking of national bargaining strategies. In addition to the problems underlined by Ebbinghaus and Visser, he points to a set of unresolved problems, namely: 'the feasibility of entering into commitments and implementing them internally', the difficulty of attempting to coordinate bargaining demands coming from monistic and dualistic systems of industrial relations, and the relationship – or compatibility – with existing national jobs pacts (Keller, 1999: 279ff.; on this point see also Hoffmann and Mermet, 2000).

To fulfil the objectives of the European coordination strategy, the European trade unions have devised a practical strategy in the form of a so-called 'wage reference formula' which includes two main components: the inflation and productivity rates (Mermet, 2002). This formula is already the basis of most national wage formation systems (Mermet, 2001). Such coordination is aimed at the sectoral level, which remains the most relevant level in European collective bargaining systems. Consequently, the European industry federations are the most appropriate actors at European level, while the ETUC is more suited to performing an umbrella role for cross-sectoral coordination strategies.

In terms of sectoral studies far more research has been carried out on the European metalworking sector (e.g. Gollbach and Schulten, 2000; Schulten and Bispinck, 2001), than on other sectors (e.g. Le Queux and Fajertag, 2001 on the mining and chemicals sectors, or Dufresne, 2000 on the textiles and clothing sectors). This is the inevitable consequence of differences in the positions of the European Industry Federations towards the coordination strategy. In the metalworking sector, studies have emphasised that the advanced nature of networks between the different national sectoral unions and the existence of the cross-sectoral structure for the coordination of collective

bargaining (at ETUC and regional levels) has created a blueprint for increasing European understanding among trade unionists, on the one hand, and guaranteeing flexible implementation in all countries, on the other. The going scientific interest in the developments at sectoral level indicates that specific steps are being taken towards European coordination, although to date not all the EIFs have specific structures in place (see Table 14).

Table 14 European industry federations collective bargaining structures

Organisation	Founded in	CB Structure
European Transport Workers' Federation (ETF)	1958	--
European Federation of Agricultural Workers' Unions (EFA)	1958	A
European Federation of Building and Woodworkers (EFBWW)	1958	S, WG
European Trade Union Federation: Textile, Clothing and Leather (ETUF-TCL)	1964	S, NC (1997)
Communications International (CI)	1998	--
European Metalworkers' Federation (EMF)	1971	S, NC (1971)
EURO-FIET	1972	--
European Federation of Public Service Unions (EPSU)	1978	S, WG
European Trade Union Committee for Education (ETUCE)	1975	--
European Committee of Food, Catering and Allied Workers' Union within the IUF (ECF-IUF)	1981	--
European Graphical Federation (EGF)	1985	NC (1995)
European Federation of Journalists (EFJ)	1988	--
European Mine, Chemicals and Energy Federation (EMCEF)	1996	S, NC (1996)
Euro-MEI	1993	--

Note: A: agreement; S: study; NC: negotiating committee; WG: working group

Source: Hoffmann, 2000

Evaluating the coordination process

Until now only a few studies have been conducted to evaluate the practical experience of coordination in the different sectors, but this is largely due to the novelty of the strategy. Pochet (1999a) comes to the following conclusion: 'An assessment of measures actually taken so far to comply with these guidelines reveals somewhat limited results. One group of countries (Austria, Belgium, Germany, and the Netherlands) is making real efforts to implement the [European Metalworkers' Federation's] recommendations. A second group, the Scandinavian countries, accepts the recommendations but would like to interpret them more flexibly. Finally, Italy, Spain, Greece, Ireland, and the United Kingdom together with France accept the recommendations in principle but have taken no steps to implement them' (Pochet, 1999a: 272). In a more recent analysis looking at Belgium and Germany, however, Schulten (2001) states that coordination has not yet become established practice in these countries. In Belgium's case, according to Oste, the main reason is the law on the maintenance of competitiveness. This provision, also described as a 'wage norm', 'is clearly in contradiction to European solidarity' since it 'explicitly links future wage developments to pay movements in Belgium's three reference states with the explicit goal of remaining competitive' (Oste *et al*, 2001: 91).

The evaluations conducted thus far reveal a number of inherent problems with the coordination process. Schulten's conclusions (2001b) on the EMF strategy may be summarised as three problems: a) contradictions between national and European logics of collective bargaining; b) different interpretations of the common norms; and c) the structural weaknesses of the EIFs in

comparison to their affiliates. In relation to the sectoral social dialogue, Keller (2001) has also emphasised these weaknesses, but as Ebbinghaus and Visser (1994) suggest the process is still very young. The building up of networks, as analysed in Gollbach and Schulten (2000), is a precondition for stronger coordination and, according to Ebbinghaus and Visser, a step towards the development of a transnational bargaining cartel in which networks create mutual learning and common approaches to the common challenges. Thus in effect fulfilling the aspirations emphasised by Jacobi (1995, 1996) by rebalancing the power relations between the employers and trade unions.

However, substantive research into the different bargaining partnerships reveals a massive variety in content and method (Gollbach, 2000, 2001). In their research on the potential and actual developments, Marginson and Sisson (1996) stress that the differences sectorally are likely to engender increased differences not between the European countries but between sectors nationally, which may have implications for national bargaining systems' conceptual bases. These differences are all the more striking to Pochet (1999a) who emphasises the absence of national horizontal coordination in some EU member states (e.g. France, the UK).

As to the potential success or failure of the coordination of collective bargaining, it seems from the literature that the jury is still undecided. Both Pochet (1999a) and Zagelmeyer (1999) speculate that the current processes of mutual learning could develop into fully-fledged coordination systems, but argue that it is impossible to predict at this stage. Others are more optimistic in their analysis.

Therefore, to conclude, the process of Europeanisation through the coordination of collective bargaining policies remains in its infancy. This is a particular problem for trade unions, which organise nationally-demarcated labour markets despite the fact that as a result of economic integration the demarcations of the national economies have largely disintegrated. The causes behind the unease in the literature about the motivations for and results of the coordination process indicate the magnitude of the dilemma facing trade unions' traditional goals.

European works councils

The creation of European works councils (EWCs), via agreements, as new supranational institutions with regulatory powers make them a cornerstone for a European industrial relations system (Strøby Jensen *et al*, 1999; Lecher *et al*, 1999). EWCs have provided a useful institutional framework for early efforts at cross-national collaboration between industrial relations actors at the workplace level (Ross, 1994). In the context of increasing numbers of multi-national enterprises (see earlier discussion), EWCs may be considered a bridge over the widening democratic gap between workplaces and the level of strategic decision-making (Platzer, 1991; Altvater and Mahnkopf, 1993; Hyman, 1995; Lecher, 1996b; Turner, 1996; Cassen, 1997). As such, European works councils form one of the key pillars of the Europeanisation of industrial relations.

The EWC directive (1994) requires every company employing more than 1000 workers in the EU with over 150 in at least two member countries, to establish an EWC, this threshold does not necessarily imply that all the companies affected are real global players (Edwards and Rees, 2001). In the year 2000 alone, about 31% of the companies having an EWC were involved in a

transnational merger or acquisition (European Commission, 2000c). Some authors find EWCs inadequate in the face of the challenges of globalisation (Streeck, 1997b; Hancké, 2000); often high expectations on EWCs have not initially been realised. However, the regulatory power of EWCs and of the special negotiating bodies (SNB) while only procedural has produced some agreements between central management and labour on substantive matters (Carley, 2001).

Even before the EWC directive a small number of companies had taken the initiative to form internal EWCs; by September 1996, 430 EWCs had been established as a result of Article 13. A French law introducing group works councils was an important factor contributing to the creation of the pioneering EWCs because some of these French group works councils invited foreign workers' representatives to their meetings. It was the social partners' agreement to establish an EWC at Thomson, which fashioned the template for the way in which EWCs were to be established under Directive 94/45/EC.

After the European social partners failed to introduce the directive by European collective agreement in March 1994 (Gold and Hall, 1994), the EU's Council of ministers adopted this directive on 22 September 1994 (Didier, 1995; Dølvik, 1997; Goetschy, 1996; Martin and Ross, 1998). The EU Council adoption of the EWC directive was made possible by the European social partners agreement from 31 October 1991 that resulted in the Maastricht social protocol (Lenoir, 1994).

Lecher (1996b) presented a three-fold framework for research on EWCs, which argued that literature could be categorised as: 1) analyses of the function of EWCs in the development of a European industrial relations system (Europeanisation), 2) analyses of the mechanics of EWCs (how they are established and work), and 3) analyses of the interrelation of the national industrial relations systems and this new European institution. However, for the purposes of this literature review the following distinctions have been made: 1) labour law analyses, 2) quantitative analyses, and 3) qualitative analyses.

Legal literature on EWCs

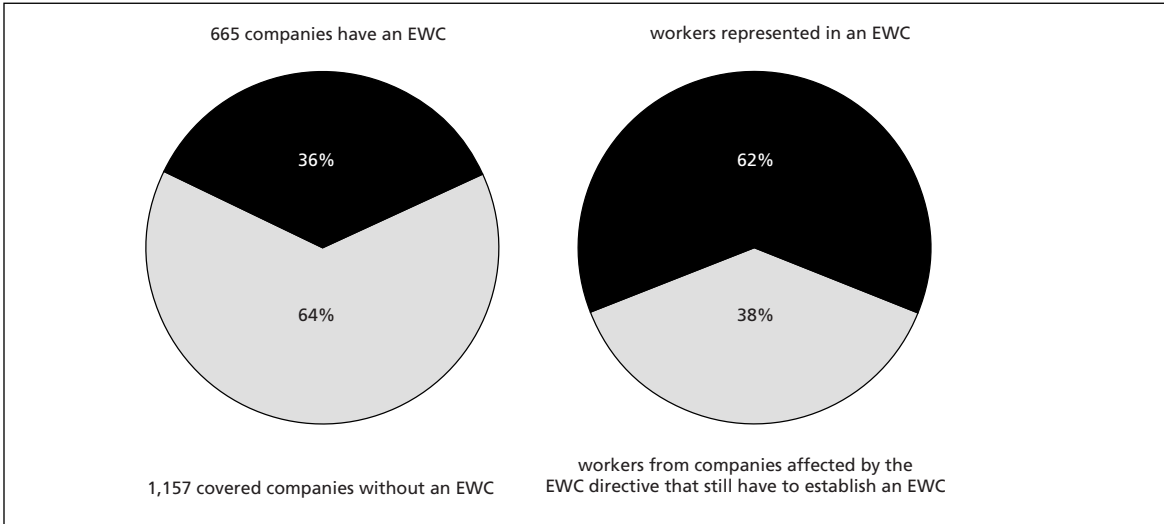
A number of scholars have explored the text of the Directive and its national transpositions (Blanpain and Windey, 1994; Buschak, 1995; Gaul, 1996; UNICE, 1998). Labour-law experts (Blanke, 1999a, 1999b; Blanpain, *et al*, 1996; Dorssemont, 1998; Hayes, 1996), but also European social partners (Buschak, 1998; UNICE, 1998) have also followed the transposition process of the EWC directive attentively. Finally, there is a selection of literature looking at the type of legislation the EWC directive is considered to be. Attempts have been made to link the EWC directive, implemented by agreements, to subsidiarity and voluntarism, an issue which may lead to a new type of social legislation at the European level (Blanpain and Engels, 1995), taking into consideration the fact that companies are not automatically obliged to set up an EWC, but that employee representatives have to issue a written request after which the opportunity is given for the reaching of a company-based negotiated solution.

Scope and diffusion (quantitative aspects)

The following quantitative aspects have been widely examined in the literature: the number of companies falling under the scope of the directive; the compliance rate (percentage of companies fulfilling their EWC responsibilities); and the prescriptions in the various EWC agreements and the

cost of EWCs. In 1995 the ETUI established a database containing all the multinationals eligible to set up European works councils under the directive 94/45/EC (extended to the UK in directive 94/74/EC) as well as a full-text collection of EWC agreements (ETUI, 2000).

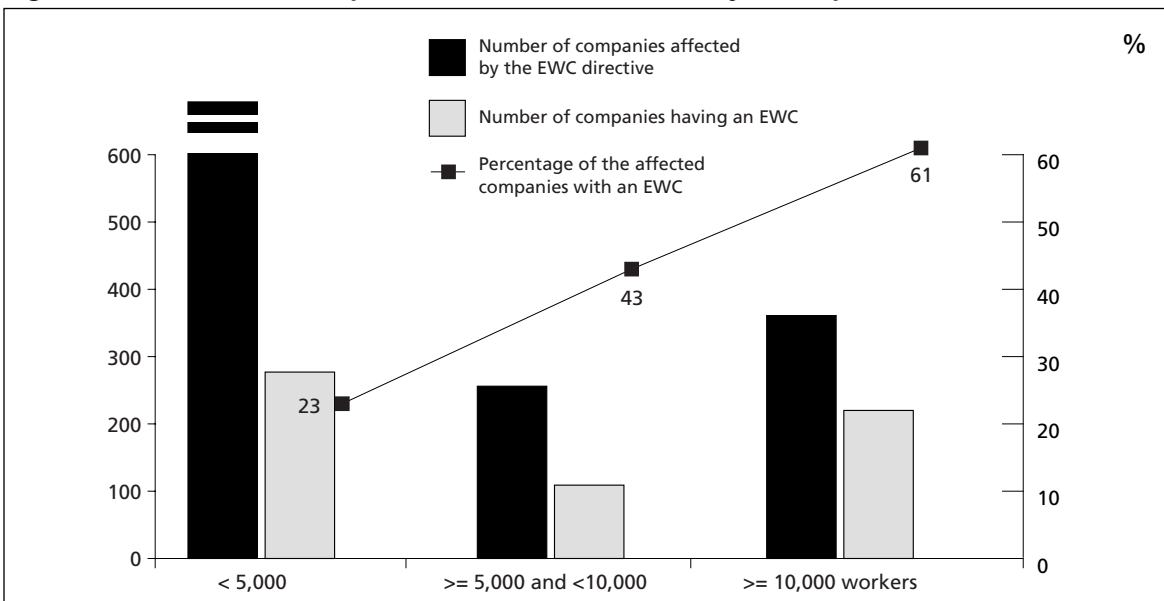
Figure 23 Number of companies and workers covered by a European works council



Source: ETUI, 2000

Of the more than 1,800 companies falling under the scope of the EWC directive, almost 700 have established one or more EWCs (see Figures 23 and 24). In other words, 36% of the affected companies are complying with the directive. In these companies approximately 10 million workers are represented in an EWC. Expressed in numbers of employees, these 10 million represent 62% of employees working in companies affected by the EWC directive. The compliance rate among companies with more than 10,000 employees is about 61%, whereas among companies with less than 5000 employees it is only 25% (ETUI, 2000).

Figure 24 Number of companies and workers covered by a European works council

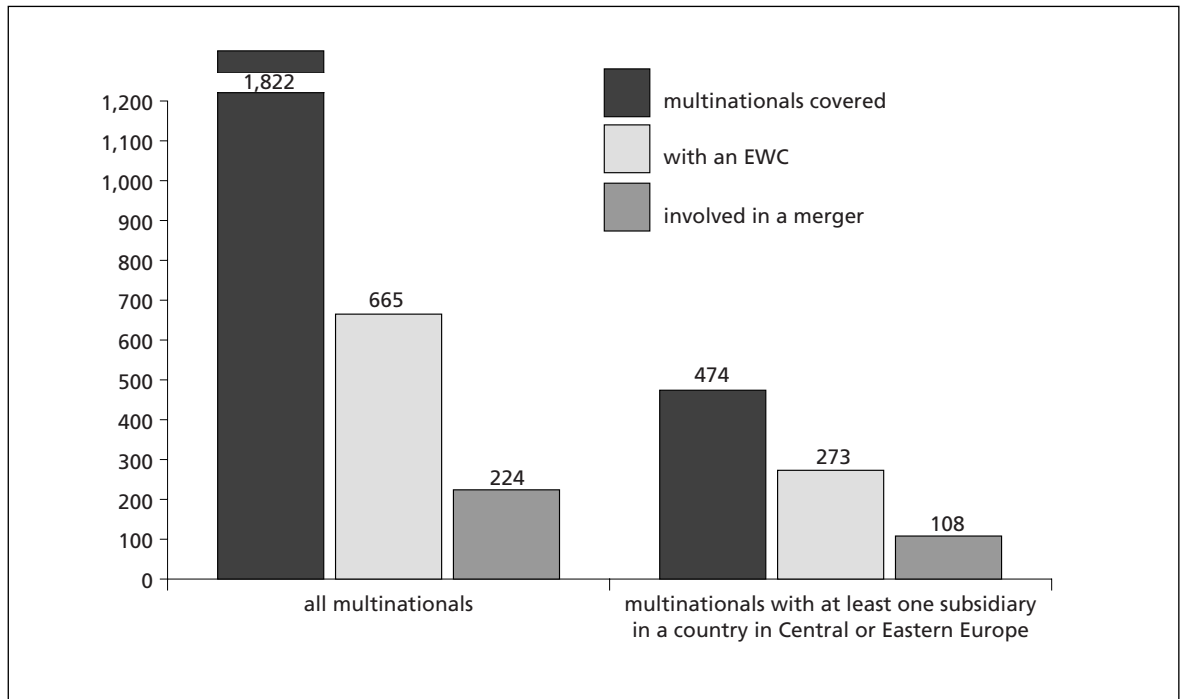


Source: ETUI, 2000

The facilities available to EWCs are an important quantitative consideration, providing opportunities to improve quality of operations and resources over time (Berentsen 2000; Stoop, 1999, Marginson and Carley, 2000). On the basis of 10 case studies in UK-based companies, ECOTEC (Weber *et al*, 2000) documented the resources allocated by companies to the creation and operation of EWCs.

Rather than financial considerations, the main factor deemed conducive to a short and smooth negotiation process was the existence of a mutual intention to reach an agreement and to establish an EWC (Weber *et al*, 2000). In some cases, as Lecher *et al*, (2001) demonstrate, national workforce representatives are unwilling to jeopardise their national style of industrial relations, even in the case of unstable industrial relations. Another factor according to Kotthoff (1994) is the absence or malfunction of national or local employee representation structures. Fulton (2000) emphasises that in some companies EWC agreements exist, but are not functioning in practice. In order to address this problem, a number of authors argue that it is better to gradually build up EWC practice rather than to push ahead regardless and potentially end up with an EWC agreement that does not engender any real activity (Barisi, 1999; Stoop, 1999; Hayes, 2000). Examples of EWC practice can be found in Waddington’s survey (2002b) on trade union experiences within EWCs, and in Kerckhofs (2001), which explores the involvement of companies with EWCs in mergers and acquisitions. In 2000, 31% of companies with an EWC were confronted with a transnational merger or acquisition (60% in the case of EWC companies with a subsidiary in Central and Eastern Europe) – see Figure 25.

Figure 25 EWCs and transnational mergers



Source: ETUI, 2001

The role and functioning of EWCs (qualitative aspects)

Interesting qualitative evaluations have been published in studies on the development of trust and cooperation within the BMW EWC (Whittall, 2000), and the evaluation of the degree to which

EWCs are used as an instrument for transnational trade union cooperation (Hancké, 2000; Voynnet Fourboul, 2000; Wills, 2000). Like Hancké (2000), Corteel and Le Blanc (2001) find that few of the possibilities offered by EWCs for developing international trade union cooperation and pushing a common labour agenda to the transnational corporate level are being realised. Trade unionists are still in the process of learning to deploy EWC resources and developing new ways of communicating transnationally. At this stage local unions seem to be using the EWC as a means of obtaining information, based on a defensive interest in securing employment in a particular plant or country. In this way the EWC will not be able to stop company internal competition between different national managements on the basis of pay and working conditions (Hancké, 2000). Carley (2001), on the contrary, found nine cases of negotiated joint texts agreed between the EWC and central management, proving the negotiation potential of EWCs (see Table 15).

Table 15 Examples of joint texts negotiated by EWCs

Company	Date	Nature of text	Subject
Danone	August 1988	Common viewpoint	Basic principles and plan for joint work
	September 1989	Action programme and plan	Promotion of equality between men and women in workplace
	April 1992	Framework agreement	Skills training
Deutsche Bank	March 1999	Joint position	New structures, job security, employability
General Motors	July 2000	Framework	Employees' status/representation after alliance with Fiat
Philip Morris Tobacco	October 1998	Guideline	Accommodation of smokers and non-smokers
Suez Lyon. d.E.	October 1998	International social charter	Fundamental rights and principles for human resources policy
Vivendi	November 1996	Joint declaration	Fundamental social rights
	November 1999	Charter	Safety in the workplace

Source: Carley, 2001

Lecher *et al.*, (1999) conceptualised a typology of EWCs and a further typology of EWC networks. This EWC typology is based on several indicators within four different fields of interaction: (a) between EWC and management; (b) internal interaction within the EWC; (c) between the EWC and national levels; and (d) between the EWC and trade unions. The dimensions of the means, structures, and transfers within these fields of interaction lead the authors to distinguish four types of EWC; (a) the 'symbolic' EWC; (b) the service-oriented EWC; (c) the project EWC; and (d) the involvement-oriented EWC (Lecher *et al.* 1999).

Furthermore, Lecher *et al.*, (2001) identify three factors determining the representative capacity of the EWC and its potential to grow beyond the form of 'purely symbolic EWCs' (Platzer *et al.*, 1999). Empirical research on the functioning of EWCs consists basically of case studies using interviewing methods (see, for example: Lamers 1998; Lecher *et al.*, 1998; Stoop, 1998; Wills, 2000). Lamers (1998) looked more closely at the expectations of EWC actors and distinguished four types. First, direct information from central management and the possibility of gaining access to a higher level of management are very important, primarily for representatives from a company's foreign subsidiaries. Secondly, the EWC affords an opportunity to establish international contacts, to exchange information and best practice with foreign colleagues, and to learn from one another's different industrial relations cultures. Thirdly, the EWC offers a platform for establishing a

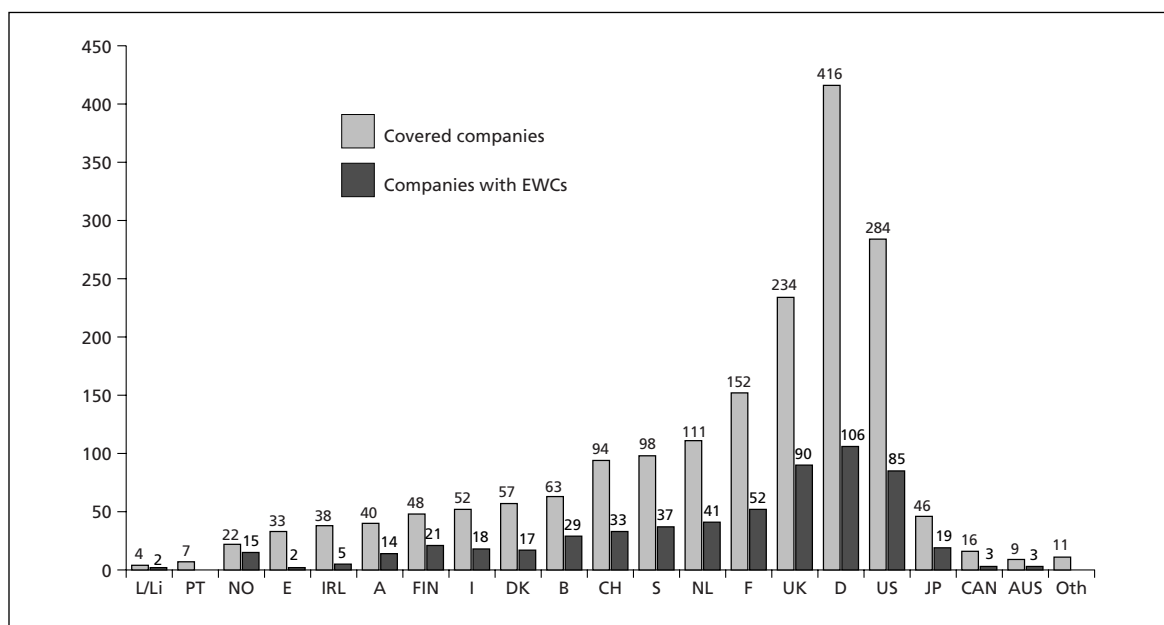
European trade union strategy within the company with a view to developing demands for minimum social standards or common viewpoints, for example, on proposals concerning the company's European human resource strategy. Finally, the EWC can have a positive effect on the functioning of works councils at both the local and the national level within the company, although Lamers also points out the risk of conflict over the appointment of EWC representatives in cases of multi-unionism (Lamers, 1998).

Concerning the management agenda for EWC activities there is an interesting hypothesis according to which the type of management representative in the EWC is taken as an indicator of management interest in the EWC. When senior management are involved in the EWC, their interest lies in minimising 'frictional losses' experienced during restructuring. The presence of group management indicates that the EWC is seen as an instrument of control over information flows and local industrial relations. Management can also see EWCs as an instrument of internal company communication. None of the cases analysed in this book include an EWC counterpart of a European meeting of national management representatives (Lecher *et al*, 1998).

The fundamental problem faced by multinational companies concerns the level of centralised or decentralised human-resource management. First, host-country employees become frustrated if personnel practices transferred from national headquarters to their subsidiary deviate from their work-related values. The second cost of strong, centralised European human resource management is that it requires information gathering, extensive communication, and hierarchical control activities (Mayo, 1996). Importantly, how can these expectations and interests be realised in efficient EWC practice? The existence of a European structure or strategy is important for the way in which an EWC functions. The more complex the structure, the more complex the lines of control and relations between the EWC and the local employee participation body become. The trade union representatives in Lamers' (1998) study stress that maintaining lines of communication and cooperation between the European and national levels of employee participation is vital for realising added value. There is a tendency that the EWC can be used to validate far-reaching decisions and to by-pass the national consultation level. The EWC should function as a proactive information and consultation system, especially in cases of restructuring.

As regards the potential of EWCs, the facilities available to them are an important resource (Barisi, 1999; Lecher *et al*, 2001; Stoop, 1999; Waddington, 2002). Local management support can also be regarded as a resource which facilitates EWC development (Berentsen, 2000).

An efficient EWC has an effect on national industrial relations practices in several ways. Where an EWC meets regularly, information exchange can set in motion a regularised exchange and co-operation process which underpins national and plant bargaining (Fuchs *et al*, 1991; Mertens, 1994). Furthermore, EWC members from countries where group works councils do not have a legal foundation have brought about the establishment of such bodies in actual practice, thus 'shadowing' the operation of the EWC. EWC practice also has effects outside European Union member states, in the first instance because about 20% of the companies concerned have their headquarters outside Europe – see Figure 26. As a result, managers from other continents experience European social dialogue at company level and Europeanisation can be seen to have a global impact using EWCs as a medium.

Figure 26 Number of companies affected by EWC directive, by country

Source: ETUI

Another way in which EWCs affect industrial relations in other continents is via the new life they breathe into the practice of world works councils. The end of the 1990s saw a new trend of world works councils being created in several companies as a result of the experiences with the EWC in those companies (Qvale and Serck-Hanssen, 1999; Rüb, 2000; Steiert, 1999). In 2000 the financial company Barclays set up the first African works council.

In conclusion, while Streeck (1997c) is pessimistic on the potential of this supranational form of workers' representation at company level, calling them neither European nor works councils, Lecher *et al*, (1998) believe in the evolution of an EWC from an information forum towards the development of a European collective identity and action. At least from a sociological perspective, information and consultation is a key precondition for organisation and political action, and thus, should not be underestimated. The future development of this new institutional forum remains unclear, but from the literature reviewed it is evident that the EWCs have played an important role in the Europeanisation of industrial relations, and more generally in European integration.

European company statute

On 8 October 2001 the EU council of ministers adopted the two interlinked legal instruments necessary for the creation of European companies: a regulation on a statute for European companies (2057/2001) and a directive on employee participation (2001/86/EC) within them. The regulation and the national transpositions of the directive will enter into force on 8 October 2004.

The challenges of economic globalisation and Europeanisation were highlighted at the beginning of this literature review. Companies operate across national borders in a European common market, while company law is still national and unharmonised (Groeben, 1967; Richard, 2001). Therefore, the legislation on a European company statute is both a completion of the common

market (Bleckmann, 1990; Wenz, 1993; Zacker, 1989) and an adaptation of juridical rules to economic reality (Davignon and Roger, 2001; Gutenberg, 1979). However, this does not exclude complexity in SE company structures. Furthermore, it is also of interest for non-European multinational companies with operations in the EU (Lutter, 1988; Merkt, 1991 and 1992). A global company can create an SE for its European activities only, or several SEs, one for each of its branches (Wymeersch, 2000).

From a company point of view, the creation of an SE has administrative, financial and psychological advantages (Verreet, 2002). Management can opt freely for a European company statute in four sets of circumstances: an SE can be created (i) by a merger, (ii) by setting up a holding, or (iii) a joint-subsiary, while a single existing EU-based company may transform itself into a European company if it already has a subsidiary in one other member state (Hall and Carley, 1999). At the same time, a special negotiation body is formed to negotiate appropriate means of participation, consultation, and information within the new SE. The directive on employee participation aims mainly to safeguard the existing participation rights of workers' representatives. The 'before-after principle' in this directive prevents the creation of the SE being used to opt out of participation rights (Cattero, 1999b).

The long history of the SE

Although both sides of industry found clear advantages in an EU regulation defining a European company statute, including workers' participation rights, it took more than 30 years to get this proposal adopted. The idea of the SE was proposed as early as 1959 by M. Thibière (Lutter, 1988) and Professor Sanders (Sanders, 1960). Sanders chaired a group of experts in 1965 that prepared the first draft text that resulted in the EU Commission's first proposal in 1970 (Lyon-Caen and Lyon-Caen, 1993). The text of this first proposal contained only the dual system of workers' participation in a supervisory body (Pipkorn, 1992: 123) to which some EU member states reacted with a defensive wall of '*rechtlichen Nationalismus*' (Raiser, 1993: 283). The monistic codetermination system involves workers' participation in a single company board, whereas the dual system foresees only employee representatives on a (second) supervisory board.

The adoption of the SE legislation was difficult and so long-drawn-out because of the national differences in company law, models of corporate governance, and workers' participation rights (Köstler, 1991, 1992). Attempts to harmonise or to adopt one single practice at the European level could only bring about a 'clash of models'. Nagel (1990: 209) finds an explanation for this in the incompatibility of the different systems, while Trojan-Limmer (1991: 1017) cites the different levels of participation rights. However, Blanke (1999b: 522) believes that the differences cannot be reduced to a matter of more or less rights.

Cattero (1999b), on the other hand, argues that the option for the dual '*Aufsichtsratsmodell*' cannot have been the only explanation of why the adoption of this proposal took so long, since German companies which merged with foreign enterprises introduced or maintained the supervisory-board practice. Daimler-Chrysler is one example, but the Hoechst-Rhône Poulenc merger into Aventis – with headquarters in France – did the same (Rehfeldt, 1999: 46). The Italian practice of '*Consiglio di sorveglianza*', created within Alitalia and Zanussi (Carrieri, 1998; Leonardi, 1997; Namuth, 1999; Saba, 1992), proves that managements need not be dogmatic about a monistic company structure.

Nevertheless, different solutions were integrated in the text of the proposal with a view to getting it adopted. The first of three successive changes introduced in the proposal widened the range of alternative forms of worker involvement. Neither the separation of the proposal into a regulation and a directive, nor the application of qualified majority voting, was sufficient to make the text ready for adoption.

In the revised proposals, the prescribed workers' participation no longer referred to one, but in fact to three, and later on to four existing models of workers' involvement, dubbed by Cattero (1999b) a 'cafeteria-menu' model. The opening up of the participation solution for the SE to new or adapted forms of existing models, or to mixtures of the two, constituted a first departure from already existing forms. The second departure enshrined the European company statute in a proposed regulation (Abelthausen, 1990; Kolvenbach, 1989) and workers' involvement rights in a separate draft-directive. However, both were inseparable (Pichot, 1995) and not yet considered ready for adoption (Buschak, 1999; Kolvenbach, 1991). The third departure was from unanimous decision-making. Thanks to the Maastricht social protocol alternative decision-making procedures were available. Previously, social measures had been adopted only if participation issues had been excluded from the text or had been played down (Kolvenbach, 1991: 88). Fulton (1998) believes that the introduction of European works councils brought in consultation developments that were new to some countries – for example, the UK – and which might have changed the political willingness of some actors to adopt European participation rights.

In any case the adoption of the EWC directive amounted to a paradigm shift from 'materieller Festschreibung' (as in the Vredeling proposal) to 'schlichter Prozeduralisierung' (Weiss, 1999a: 189). A high-level working group chaired by Etienne Davignon in 1997 drew lessons from the success of Article 13 of the EWC directive (Nakano, 2002). From that moment on, successive presidencies of the EU Council made many attempts to find a compromise text that could be adopted, finally succeeding at the end of 2000. After consultation with the European Parliament in the course of 2001, the texts were finally adopted at the EU Council meeting of 8 October 2001 (EWCB, 2001).

The European business community has consistently expressed interest in creating a European company statute because it would facilitate cross-border mergers and foster industrial cooperation in Europe. UNICE has been no less consistent in pointing out three weaknesses in the SE legislation (UNICE, 1999). First, tax arrangements are lacking, which would make the SE sufficiently attractive for companies. Furthermore, it falls short of providing companies with a genuine community legal instrument but rather creates 15 different statutes because of the many referrals to national law (UNICE, 2001a). Finally, UNICE sees in the 'automatic application of pre-ordained 'reference' rules, which prescribe a form of co-determination alien to the majority of Member States', a possible upsetting of the balance of negotiations from the outset (UNICE, 2001b).

The economic actors will have at their disposal a transnational vehicle able to facilitate cooperation between companies and the integration of enterprises in Europe (Davignon and Roger, 2001). This step forward will allow the Council of finance ministers to address the fiscal sphere which is their area of competence. For enterprises the fiscal regime, which will be applied to the SE, no longer linked only to local revenues and costs, will be a fundamental criterion by which to

judge the progress made and to evaluate the usefulness of this instrument (Davignon and Roger, 2001).

Workers' participation in the SE

The complexity of the text of the directive on workers' participation in the SE is a reflection and result of the long and difficult political decision-making process. The SE legislation is not ideal, like all compromise solutions (Pichot, 2001a), and so it has had its share of criticism. Pichot (2001a) criticises the fact that the directive focuses only on the time of the creation of an SE, without considering the further development of the company.

Nagel (1990: 210) feared that a European company statute would in some cases lead to the moving of company headquarters to escape codetermination rules in particular countries. Furthermore, company managers from countries without institutionalised participation rights for workers' representatives could consider the implementation of these rights in the SE excessive (Davignon and Roger, 2001). For these reasons, the adoption of the SE legislation was possible only after fears that existing participation rights might be eroded had been overcome (Raiser, 1990: 213), alongside the fear of importing too high codetermination standards foreign to the industrial relations systems of some countries (Kolvenbach, 1998: 1327).

The balance between securing existing codetermination without imposing any particular practice as an ideal model was found in negotiations on the way in which workers would participate in the structures of the SE. Employers appreciate the fact that the negotiation period coincides with the registration period of the SE in this solution. In this way it takes account of economic imperatives demanding rapid decision-making tailored to the specific circumstances of a given company (Davignon and Roger, 2001). On the other hand, existing participation rights are safeguarded with the inclusion of the 'before:after' principle (Jäger, 1999).

Leaving the form of workers' participation open to be agreed upon can result in practices involving different degrees of industrial democracy (Streeck, 1996: 63). Beyond information and consultation, the annex to the report of the Davignon expert group (1997) also defined involvement and participation. Gallino (1983) identifies two dimensions of this distinction between workers' involvement and workers' participation: (i) aim and degree of democratisation; (ii) degree of institutionalisation or legal force. Involvement is a matter of enhanced identification with company objectives. It is about feeling part of (*Teilnahme/Mitgliedschaft*) the company and not about influencing decision-making (Pasquino, 1986). In contrast, the influencing of decision-making in the direction of one's own interest is an essential aspect of participation. While involvement is a voluntary concession or a management initiative, participation is an institutionalised right (Ambrosini, 1998; Marchington, 1995).

Baglioni (1996: 32) distinguishes between three types of participation: (i) integrative participation; (ii) collaborative participation; and (iii) antagonistic participation. Involvement can be put on the same level as integrative participation, while this typology adds an element in distinguishing collaborative participation from antagonistic participation.

This distinction is not only a reflection of the degree of harmony or conflict in the participation model, or of pessimism or optimism in evaluating it (Keller, 1996). The effectiveness of

participation rights is linked here to supervisory company organs where both sides of industry have joint representation with equal weight (Höland, 2000). This is what can be called codetermination or antagonistic participation. With less than equal participation, there is no opportunity for real codetermination (Höland, 1997: 52), but only corrective or collaborative participation (Baglioni, 1996).

In the near future publications (Buschak, 2002) and training materials (Hawreliuk, 2001; IG Metall, 2001) can be expected explaining the texts of the regulation on the SE statute and of the directive on workers' involvement. The directive has to be transposed by the end of 2004 and only after that can the creation of SEs and negotiations on participation commence. Until then, publications can only speculate on how many and what kind of companies will be interested in opting for the SE statute. Braun (2001) and Richard (2001) doubt that any company will be interested in adopting the European statute if there are no accompanying fiscal regulations for the SE (Davignon and Roger, 2001). Wenz (2001) has produced an analysis of the advantages and disadvantages of the SE statute from the company point of view. Finally, there will be literature considering workers' involvement practices developed within newly created SEs as an important building block in the Europeanisation of industrial relations, but also in the wider debate on corporate governance (Köstler, 2001; Schneider, 2000).

Important for the preparation of future negotiations on workers' involvement in the creation of SEs are comparative studies on national and European company law (Behrens 1990; Chielewicz, 1991; Gravenstein, 1988; Theisen, 1987), and on workers' participatory practices in the different EU member states — see Table 16 (Köstler, 2001).

Table 16 National workplace industrial relations

	Monistic model	Dualistic model	Worker participation	Trade union election proposal	Trade union seats	Trade union delegates
A		X	X		-	
B	X		?		?	
DK		X	X		-	
FIN	X	?	X		-	
F	X	X	?	?		
D		X	X	?	X	
EL	?	X	?		?	
IRL	X		?	?		
I	X		?			
L	X		X		?	?
NL		X	o	-	-	
PT	X		?			
E	X	?	?	?		
S	X		X		X	X
UK	X		-			

Note: X = yes; - = no; ? = partly; o = own construction

Source: Koestler, 2001

Challenges

Empirically, the internationalisation of finance capital, internationally integrated production ('global sourcing') and increasing competition (with a move from complementary to substitutional trade) provide the most convincing evidence for the existence of a globalisation process. However, on closer inspection, the vast majority of trade and transfers are conducted between the EU, US and Japan (triadisation). These internationalisation processes have increased capital's exit options. However, the extent to which firms are actually able to take advantage of the exit options opened by globalisation is dependent on the distinct 'corporate path' they have chosen. European industrial relations actors are deeply embedded in the different institutional settings of the 'models of capitalism' – either liberal market economies (LMEs) or coordinated market economies (CMEs). These models demand different answers to the process of economic internationalisation.

A consequence of globalisation has been constantly shifting power relations between capital, labour and the state, largely to the advantage of capital. A number of developments can be identified:

- Large firms are able to threaten to use the increased exit options, putting pressure on national labour and political actors;
- International or global competitive benchmarking processes have an intensification effect on work and working conditions;
- International labour organisations remain weak and unable to force employers into collective bargaining. Even where international labour organisations are developed (e.g. European level) they are further limited by the absence of both employers' organisations *per se* and/or their lack of negotiating capacity.

Voluntaristic enterprise and company-centred agreements are becoming increasingly important as a result of the shifting power relations between capital, labour and the state. For continental Europe, this trend signifies a shift in the traditional mode of industrial relations (where multi-employer bargaining remains predominant). On the other hand, the local levels of industrial relations are increasing their relative importance, at the expense of the national level. At the local level, 'global players' are embedded in regional or local production networks. Therefore, a local or regional reorientation of interest representation embedded in national and European policy-making might well be the outcome of these trends. The important question then is whether trade unions and employers' associations can perform this role, or whether plant-level interest representation structures will dominate.

As a result of the increased complexity created by globalisation, organising strategies for both social partners have been challenged. For the employers' federations, this challenge has been characterised by increasing employer individuality, with greater use of decentralisation options and growing rejection of their associations and multiemployer agreements. Their declining capacity to organise and commit members mirrors that of the trade unions, who are struggling to cope with post-Fordist production methods, tertiarisation and the erosion of their traditional socio-economic constituencies. Ultimately, the trends described above are undermining the traditional structures of labour relations and conflict-resolution mechanisms.

Collective bargaining

Collective bargaining systems have been under significant pressure to adjust since the mid-seventies. The progressive internationalisation of the economy and the single European market

have intensified global competition. At the same time structural change and the introduction of post-Fordist production methods, along with the accompanying external and internal flexibilisation of firms (global sourcing and just-in-time production), have significantly affected the operation of centralised collective bargaining. These global trends have not so far led to any significant convergence of collective bargaining systems, which continue to display notable differences within Europe. This is attributable not only to the fact that the social institutions in which collective bargaining systems are rooted are characterised by a deep capacity for inertia.

This economic dynamic is accompanied by increasing demands for flexibility and adaptation which call into question the stability that has characterised industrial relations to date. The question then is: can centralised collective bargaining systems continue to be maintained at sectoral level, in order to fulfil their function as a condition of stability, without at the same time counteracting the demands for greater flexibility and adaptability (organised decentralisation)? The research to date does not allow unequivocal conclusions to be drawn concerning future developments, although till the time being organised decentralisation of collective bargaining, sectoral agreements with opening clauses or in combination with plant-level bargaining through works councils is dominant in continental Europe's CMEs, while the UK is characterised by plant- and company-level agreements and decentralisation processes, which turned out to be processes of deregulation.

A much more decisive factor is that the continental European economy is effectively based on the close-knit relationship between social institutions and industrial relations systems. It is clear from the literature that the nucleus of the cooperatively built up industrial relations apparatus – including collectively agreed pay systems – in the continental CMEs is not being called into question by the parties to the system (state, employers, trade unions).

Empirical analyses show that between wage levels and employment there is no clear correlation. Nonetheless, collectively agreed pay developments have, under pressure from unemployment, been moderate since the beginning of the 1990s and have thus supported job creation in a variety of forms (social pacts, opening clauses, investment and skills agreements, working time policy).

The service sector remains an Achilles heel for labour organisations and continental corporatist welfare states – in particular the area of personal services which is not exposed to global competition – which in the continental European welfare state models (including France, Germany, Belgium) is weighed down by above-average non-wage labour costs (these were previously compensated for by a traditionally high level of productivity in the industrial sectors). The review of the literature reveals that the discussion on the role of collective bargaining policy in this field has begun to gain significance only in recent years.

The dynamic effects of internationalisation and Europeanisation on the stability and adaptability of industrial relations call for a major research effort. Stability and adaptability – and this is one of the main findings of the literature reviewed – can be less and less confined exclusively to the national arena, the reason for this being that, under conditions of an increasingly global economy, it is social institutions that become factors of stability and guarantee firms a high degree of certainty of expectation.

Regardless of the challenges, extensively discussed in the literature, that face collective bargaining systems, these systems remain essential for social cohesion. The preservation of the stability of the

systems is therefore not of economic interest alone (see above) but is at the same time a question of social cohesion, which will exert a positive feedback effect on economic performance. The preservation of a high degree of social cohesion (see various conclusions of EU councils in recent years) is an important goal in the modernisation of European societies.

In industrial relations research there is far-reaching consensus that development of collective bargaining systems in the Central and Eastern European accession countries is still only fragmentary and that the existing systems are characterised by a high degree of diversity. The stabilisation of these systems and their compatibility with Western European systems cannot at present be assessed. The possible repercussions on the European social model have been barely researched to date.

An approximation of European systems to American or Japanese models can be regarded as inappropriate. This does not mean that single elements of these capitalist models (workplace agreements in concession bargaining, etc.) could not be incorporated into the European systems. Even so, not least on account of the significant social and cultural path dependencies affecting action and collective actors, and on account of longstanding preferences of the continental European CME — models, far-reaching Americanisation or Japanisation is unlikely.

Workplace representation and participation

Workplace representation and participation is the second pillar of industrial relations. In most countries, workplace representation and participation systems were developed and/or revised in the post-war years. In a number of countries systems of codetermination have been developed. Since the 1970s, a significant trend has been the strengthening of the legal framework for workplace representation and participation. There remains a huge diversity in practice and structure among the advanced capitalist societies; however, in recent years there has been a convergence in the challenges facing actors and institutions at the workplace level (see Introduction).

In the post-Fordist era, workers representation and participation has been recognised as a success factor for performance and competitiveness of companies. Moreover, new forms of workplace representation and participation are considered a central feature in conceptions of post-Fordism. The challenge for trade unions and employers' organisations is to create organisational models which respond efficiently to the complexity of these new modes of work organisation in a flexible manner. In recent years, a greater interdependency between workplace representation and collective bargaining has emerged, largely as a response to the market demand for more flexible solutions. Two examples can be identified in organised decentralisation and local or company pacts for employment and competitiveness (PECs). However, further research is necessary.

Financial participation is becoming more and more relevant in all advanced capitalist societies. It should not be considered solely a management technique; rather research should explore the potential for expanding the scope of collective bargaining and relevance for European social dialogue.

While in practice the workplace is becoming an instrumental arena for industrial relations, unfortunately, there remains a paucity of research on the developments, opportunities and

possibilities on workplace representation and participation practices and institutions. In particular, comparative research is required on: the repercussions of Europeanisation (through the EWCs and SE) on national workplace representation structures; the benefits of mutual learning; and the potential codetermination may offer in the light of Europeanisation.

Europeanisation

The creation of the European Union is an important historical step in the development of supranational regulatory systems. Moreover, in comparison with other regional entities, the regulatory properties of the EU are unique. At the supranational level new forms of capital re-embedding may gradually take over some functions of the nation state (since the Maastricht treaty); however, these are challenged by the mechanisms of EU policy making and existing national institutional diversity.

European social dialogue

The social dialogue at interoccupational level received, in its early stages, extreme encouragement from the European commission. For years it was restricted to common positions and recommendations by the European social partners. Generally speaking, it is recognised in the literature that the Maastricht social protocol/social agreement represented an important breakthrough for strengthening the social dialogue that has led to European negotiations and the first social partner agreements. The strengths and weaknesses are variously assessed in the literature. The significance of social dialogue for the development of a European industrial relations system is generally confirmed. To what extent the social dialogue lends itself to further development in the direction of a system of autonomous bargaining between the social partners, and whether, in any case, a development of this kind is regarded as necessary, emerges from the literature as a controversial aspect.

In spite of increased scientific interest in European social dialogue in recent years, significant areas remain under researched. This applies in particular to the question of national transposition and implementation of negotiation outcomes to date, their repercussions and effects on national areas of provision (e.g. part-time work, parental leave, fixed-term employment contracts, etc.) and the question of the role of the protagonists (social partners and governments) and their specific interests and contributions to further Europeanisation. On the basis of further empirical research findings, more accurate conclusions on the prospects for social dialogue at intersectoral level could be drawn. Effective implementation of the results to date should definitely lend itself to use as a benchmark.

While significant research efforts in the field of intersectoral social dialogue have been recorded, the sectoral social dialogue remains – with a few exceptions – under researched. This is all the more surprising in that this level may be regarded, not only in academic discussion but also among the protagonists themselves, as more important and richer in prospects for a Europeanisation of industrial relations. Research gaps are noticeable above all in relation to the organised interest associations at European level (both employers and trade unions). An analysis of their potential reveals the existence of information indicating that the scope of their influence may be substantial in a range of fields. The sectoral social dialogue is also, in spite of limited results to date, a suitable benchmark.

Employment policy and the macroeconomic dialogue

An underlying feature of European employment policy and macroeconomic dialogue has been the way in which the agenda for change has been set by economic integration, and especially by moves to EMU. This has unleashed a dynamic for (at least partial) Europeanisation of policy-making in employment and macroeconomic policy, with consequences for the relationships among social partners, European institutions and member states. Of course, the process of economic integration must be seen in the context of globalisation – partly overlapping and partly responding. The literature attempts to assess the Luxembourg process in comparison to other (in some cases less well established), examples of the ‘open method of coordination’, and also in comparison to the ‘traditional’ EU methods of policy-making in the social field: legislation and social dialogue. Generally, the debate, to date, has focused on the nature of the process itself – its strengths and weaknesses and its capacity to effect change.

Specific research needs result from the question as to how and in what way the social dialogue can contribute, at intersectoral and sectoral level, to the European employment strategy. The EES has opened up new opportunities for action for the European social partners. In what way they use these at the various levels (regional, national and European) has so far been the subject of extremely scant empirical research. Concrete benchmarks have already emerged from the EES, relating not only to quantitative (e.g. employment rates) but also to qualitative (job quality) aspects.

There is much less literature on the macroeconomic dialogue, which is a relatively young instrument and, due to its secretive nature, inherently hard to research. The references quoted explore the rationale for the dialogue, but are unable to suggest what its future may be. If it is to remain a ‘dialogue’ then its influence will be informal, and probably limited. There is at present little sign of consensus among the participants that it should adopt a more ambitious role. The attitudes and capacities of actors will remain of interest as a research field in this context.

European coordination of collective bargaining

The Maastricht criteria in the framework of a common European currency have brought greater transparency concerning the various components of wage costs, thereby increasing cost-based competition between individual countries. The danger perceived in the literature is that such a situation may lead to intensified ‘regime shopping’. To counter this danger, the ETUC and industry federations have set out to encourage stronger coordination of collective bargaining policy.

In this context a Europeanisation of industrial relations has been developed with a view to achieving the cross-border coordination of collective bargaining. To date, however, little research has been conducted on these early attempts at coordination. Extremely diverse views are expressed in the literature regarding the possibilities for development of a European coordination of collective bargaining. While the pessimistic position particularly stresses the economic, social and organisational type of coordination, the optimistic variant places stronger emphasis on the gentle pressure exerted by market integration and the fact that a *de facto* European wage area is developing of which, sooner or later, the national trade unions will have to take account.

Central problems associated with the development of a coordinated collective bargaining policy in Europe, and with European industrial relations in general are – apart from language and

communication problems – the diversity of organisational and political structures, as well as of organisational cultures, and the attendant problems of coordination (between rank-and-file level, the national and the European level). The first trade union endeavours to achieve a coordination of collective bargaining policy, contain the wage reference formula, which includes two main components: the national inflation rate and productivity. To what extent this coordination formula has found acceptance in national collective bargaining policies has not yet been empirically investigated.

European works councils and company statute

European works councils have become a cornerstone of the European industrial relations system. More than 1,800 companies are falling under the scope of the EWC directive from which more than 700 established an EWC before the year 2000. The EWCs in these companies represent 62% of workers of companies affected by the directive. Information and consultation as substantial interactions in the EWCs are key preconditions for organisation and political action. There are several effects of the EWCs on national industrial relations; while underpinning national and plant bargaining, they revitalise world work councils in those companies in which they exist and they help to establish works councils in countries where there is no legal basis for such institutions. As a European institution of industrial relations the EWC may serve as a catalyst in the Europeanisation process of collective bargaining. If this is true, the more pessimistic view of the EWC may turn out to be inaccurate.

The European company, based on the directive on workers' involvement, may be a further step towards the Europeanisation of industrial relations at company level. For the time being, there are no clear indications on how many companies will make use of this new European company law. Regardless, a monitoring system should be established to aid future in-depth analysis.

Suggestions for further research

Area	Topic
Challenges	<ul style="list-style-type: none"> Existing industrial relations theories need to take into account the development of a European area of action Changing relationship and interaction between the levels of industrial relations in the light of globalisation and 'glocalisation' Convergences and/or divergences in the models of capitalism Effects of the financial sphere on investments, employment and industrial relations
Collective bargaining	<ul style="list-style-type: none"> Dynamic effects of globalisation and Europeanisation on stability and adaptability of industrial relations The future of sectoral bargaining structures in the light of Europeanisation and globalisation needs The role and growth of the private service sector and its implications for collective actors The coordination of collective bargaining, and particularly the impact of European common norms/rules
Workplace representation and participation	<ul style="list-style-type: none"> Substantial need for comparative research on workplace industrial relations New forms of workplace representation and participation (including: PECs) and the implications of bargaining decentralisation The repercussions of Europeanisation: impact of EWCs on workplace practices and institutions, effects of mutual learning The potential role of financial participation Changing corporate cultures (shareholder-value-attitudes) and workplace participation
European social dialogue	<ul style="list-style-type: none"> National transposition and implementation of the intersectoral and sectoral social dialogue Role of the social actors, their perspectives on Europeanisation
Employment and macroeconomic policies	<ul style="list-style-type: none"> Relationship between social dialogue and EES The impact of the EES on the social actors and institutions at the different levels Macroeconomic dialogue and its future role

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Over the last 30 years, national systems of industrial relations have undergone both internal and external challenges. Looking at industrial relations under the pressure of internationalisation, this report identifies the challenges thrown up by the ‘megatrends’ –: globalisation, Europeanisation and tertiarisation – and highlights the available literature. The report examines the impact of globalisation and European integration on national systems of industrial relations, focusing especially on the European Union. It reveals the extent to which industrial relations systems are becoming increasingly ‘Europeanised’. The report presents different theories of industrial relations and considers several aspects of the Europeanisation phenomenon: European works councils, EU-level employment policy, European social dialogue, European coordination of collective bargaining and the involvement of the various actors in European economic, social and employment policies.

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