Wage Bargaining and Worker Representation

Collective wage bargaining and negotiations about work related conditions are among the core tasks of trade unions in industrialized countries. The establishment of Economic and Monetary Union (EMU) in January 1999 has had a considerable impact on unions' abilities to discharge this function. First, the single currency has made it much easier to compare wage levels across borders, implying a potential downward pressure on wages and working conditions in those countries with higher labor costs. Second, the introduction of a single currency prevents countries with lower productivity rates to improve the competitiveness of their companies via devaluations, while the coordination of fiscal policies within the Stability and Growth Pact makes national budget deficit spending strategies to create demand-led growth impossible. The result is again a downward pressure on wages and working conditions, as the only available adjustment mechanism. Finally, trade unions have traditionally had a big impact on macroeconomic policy-making at the national level. With monetary policy now being carried out by the independent European Central Bank (ECB) and fiscal policy being closely coordinated at the European level within the Stability and Growth Pact, this avenue of influence has been undermined.

These pressures for trade unions are further compounded by the increasing trans-nationalization of production in Europe. Foreign Direct Investment (FDI) levels indicate a structural change with transnational corporations (TNCs) becoming more and more dominant within the overall European production system. While the annual average of inward FDI flows into the EU between 1990 and 2000 was $207 billion, inward FDI in 2006 was $530 billion (UNCTAD 2007). The corresponding figures for outward FDI are $276 billion as annual average between 1990 and 2000, and $572 billion in 2006 (UNCTAD 2007). National trade unions find it difficult to respond individually to the challenges resulting from such industrial restructuring.

The increasing structural power of TNCs is also reflected in the political power of their representatives and lobbyists. The European Round Table of Industrialists (ERT) was one of the core agents behind the EU's recent shift towards a market-led economic-political model with its main focus on price stability, low inflation and competitiveness (van Apeldoorn 2002).

To some extent, these limitations also apply to the trade unions of those countries which have not yet joined the single currency, such as Britain, Denmark, Sweden, and the ten new member states from Central and Eastern Europe (CCE) and the Mediterranean area, which joined the EU in May 2004. They too are subject to the EU's broad economic policy guidelines and the Lisbon Strategy, and therefore come under the influence of the

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policy paradigm embodied within EMU that emphasizes price stability over growth and employment. Moreover, they are also affected by the increasing transnationalization of production.

National industrial relations systems and related provisions for collective bargaining differ widely from country to country due to different historical pathways of industrialization. The following will provide a brief assessment of the collective bargaining situation in four countries, Britain, France, Germany and Sweden, before an outline of the situation at the European level is presented.

Convergent Pressures, Divergent National Responses

Britain is an example of early capitalism, which resulted in a highly fragmented labor movement with several general unions competing with each other for members and a comparatively weak trade union confederation. During the 1960 and 70s against the background of full employment, unions had experienced considerable growth in membership levels and political influence. Nevertheless, this was based on voluntarism, which made it easy for the Conservative governments to roll back trade union power during the 1980s and early 1990s. These union-busting laws were not fully repealed by the Labor governments in 1997, and collective bargaining is no longer the norm in British industrial relations (Howell 1999:30). Indeed, a 2006 survey indicated that private sector union recognition fell from 20 percent of workplaces in 1998 to 15 percent in 2004; with union density standing at 29 percent of all employees in 2005. Unsurprisingly, due to these set-backs at the national level, British unions have developed into some of the most ardent supporters of further European integration, hoping for an improvement of British workers' situation via the further development of the European social dimension.

France is another example where trade unions have been increasingly weakened, particularly in their leverage over collective bargaining. Having been largely excluded from macroeconomic policy-making and suffering from deep ideological splits, the French labor movement is highly fragmented with seven significant confederations competing with each other. The low level of union density, which dropped below 9 percent in 1995, is an additional problem. As the employers' side also lacks a strong degree of centralization, collective bargaining at the sectoral and multi-sectoral level had always relied on state support in France. The Auroux laws of the early 1980s had the intention to strengthen trade unions' role in negotiations but in practice, they "weakened the unions ability to take control of the dialogues and began the process of radical decentralization of wage bargaining that culminated by the end of the decade in the state's abandonment of the entire system of government-organized, centralized wage negotiations" (Schmidt 2002:201). This tendency was further strengthened by the introduction of the thirty-five-hour week in 1998/1999, as employers were given the permission to negotiate with their work force over more flexible work schedules in exchange for the shorter working week.

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In short, wage bargaining is highly decentralized in France and, unsurprisingly, trade unions look increasingly towards the EU for support in their struggles at the national level. The structure of the French social system has engendered significant social unrest over recent years. Starting with wide-spread unrest in the banlieues in 2005, student protests in 2006 and rail-worker strikes in 2007, France's social compromise appears increasingly feeble. Whether the current French government under Nicolas Sarkozy will prove able to negotiate a new and more stable situation with France's social partners remains to be seen. However, so far it seems as if the new French government is set on breaking the power of the unions once and for all.

In contrast to Britain and France, trade unions have always enjoyed a stronger position in Germany. Here the right to collective wage bargaining at the sectoral level is legally supported by the state. Against the background of world-wide recession, economic problems due to German unification and an increasing transnationalization of the German production system since the early 1990s, collective bargaining has come under pressure. For example, many employers in the east German metal sector have refused to join their employers' association and individual works councils have accepted illegal company agreements below sectoral agreements (Flecker and Schulten 1999:103). Trade unions and employers have attempted to confront these pressures through regulated decentralization via opening and hardship clauses, allowing for additional bargaining at the company level or even an opting out of collective agreements altogether under specific circumstances. This could not, however, completely stop what some refer to as a continuing erosion of German collective bargaining. Indeed, trade union membership is declining steadily, falling by 4.4% in 2003, 4.8% in 2004 and 3.3% in 2005.

Swedish trade unions, with a unionization rate of around 80 per cent, used to exercise considerable influence on policy-making in Sweden. They negotiated with the employers' association a solidarity wage across all economic sectors leading to one of the most equal wage distributions in the industrialized world. Against the background of increasing transnationalization of production and in response to a socialist offensive by the trade unions and the Social Democrats around the so-called wage earner funds in the 1970s, the employers gradually abandoned the class compromise. Eventually, in spring of 1990 the employers left the collective bargaining system. In the following winter, they withdrew from the tripartite institutions. Nevertheless, this did not imply the complete collapse of collective bargaining, nor did it result in a decentralization of bargaining to the company level, as had been the case in France and Britain. Instead, after several years of an interim period, in 1997 trade unions and employers' associations in private industry signed the so-called Industrial Agreement.

The Industrial Agreement included an accord on rules and procedures about collective wage bargaining at the sectoral level in order to avoid industrial conflict. This was soon followed by similar agreements in other sectors. Additionally, the Swedish government set up a new Mediation Authority in 2000 to support collective bargaining in those sectors, not covered by sectoral agreements. TNCs on the employers' side had learned to appreciate stable arrangements for wages after some high wage increases in the late

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1990s. Meanwhile, against the background of economic recovery and a reduction of unemployment from 8 to 4 percent, trade unions started to accept as the notion that stable wage formation is an important precondition for national competitiveness (Bieler 2003).

In sum, collective bargaining was not revived in Britain at the end of the 1990s, was further decentralized in France and increasingly eroded in Germany. Only in Sweden has a reversal come about with collective bargaining being re-institutionalized at the sectoral level. The Swedish case, however, indicates precisely one of the core concerns for unions about the predominant focus on price stability in the EU. The Swedish unions' argument that they needed to make sure that Swedish collective bargaining results are lower than those in competitor countries underlines unions' fears that European integration will lead to regime competition between different national systems resulting in downward pressures on wage levels and working conditions. The attempts at the European level to counter these pressures will be dealt with in the next section.

European Coordination of National Wage Bargaining

The Treaty of Maastricht, in addition to establishing EMU, also made provisions towards the development of a European Social Dimension. Importantly, the Commission was granted the possibility to give a negotiation mandate to the ETUC and their employers' counterpart BusinessEurope (formerly UNICE). Should they agree on a particular issue, this agreement is then passed to the Council of Ministers, which transfers it into a directive without further discussion. To date several agreements have been concluded under this procedure. Collective negotiations on the directive on parental leave were concluded in November 1995 and accepted by the Council in June 1996. The directive on atypical work was agreed upon in June 1997 and confirmed by the Council in July 1997. A social partner agreement and related directive on fixed-term work followed in 1999. Additionally, there were agreements on teleworking and on work-related stress and a framework of action for lifelong learning and gender equality. In 2006, the European Social partners also initiated negotiations for a voluntary agreement on harassment and violence at the workplace. The importance of these agreements as first steps towards common social minimum standards across the EU should not be underestimated. At the same time, there are relatively few agreements and those on telework and work-related stress are merely voluntary, the implementation of which is not via an EU directive, but remains the task of the social partners themselves.

Moreover, the areas covered by the social dialogue are compartmentalized and do not include issues of the general macroeconomic direction of the EU. More fundamental issues such as the right to strike, the right to association and wage bargaining have been excluded from European competencies (Greenwood, 2003:150). Some social dialogue has also been developed at the sectoral level. This, however, has often been limited to the exchange of information and the formulation of common positions and joint statements. Hardly any substantial agreements have resulted from it because employers' associations do not want to engage in negotiations. A further development since 1994 has been the set-up of European works councils (EWCs) in TNCs with more than 1000 employees and

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at least 150 employees in two different member states. Although not insignificant, the rights of these EWCs are limited to information, rather than providing a possibility to impact on company policy. There is also the additional danger of an emerging split between a core labor force employed by these TNCs on the one hand, and workers on the periphery of the labor market with atypical or temporary working contracts on the other. In 2006, the European Economic and Social Committee called for a revision of EWCs. Finally, trade unions as other interest groups attempt to lobby EU institutions and here especially the Commission. However, although they have very good contacts to the DG for Employment and Social Affairs within the Commission, the problem is that within the Commission, the DG for Employment and Social Affairs is subordinated to the DGs for Competition, for Economic and Financial Affairs, for the Internal Market and for Trade.

These rather limited possibilities at the European level, however, do not imply that trade unions have no alternatives to a continuing emphasis on the national level. One way forward is intensified intra-union cooperation and here especially the coordination of wage bargaining at the European level. A first step was made in the so-called Doorn declaration in September 1998, when the Belgian, Dutch, German and Luxembourg peak trade union organizations and major sectoral unions in metalworking, chemicals, construction and private and public services agreed to coordinate their national collective bargaining along the lines of “the sum total of the evolution of prices and the increase in labor productivity” in order to prevent downward competition on wages and working conditions under EMU. This strategy has been pursued furthest by the European Metalworkers’ Federation (EMF). It developed a coordination strategy including a sophisticated system for the exchange of information about national collective bargaining rounds and the establishment of cross-border collective bargaining networks including the exchange of observers for collective bargaining rounds (Schulten 2001:316-19). Additionally, the coordination of national wage bargaining was approved in 1998 to ensure that national unions pursue a common strategy of asking for wage increases along the formula of productivity increase plus inflation rate (Schulten 2001:304-7). The coordination of bargaining implies the following three advantages:

1. It does not rely on an employers’ counterpart, which has not been willing to engage in meaningful social dialogue.
2. The disadvantaged position within the EU institutional framework is of no consequence, since inter-union coordination does not rely on the compliance of EU or national institutions.
3. This strategy takes national differences into account, often cited as the core reason why European-wide union cooperation is impossible. If productivity is lower in one country than another, then the wage increase demands in the former country will be lower than in the latter accordingly.

The European Federation of Public Service Unions (EPSU) offers another good example of a possible union strategy. It has recently stepped up its activities against the increasing liberalization of public services via EU directives as well as the EU’s role in the negotiations for a General Agreement on Trade in Services (GATS). The most innovative of EPSU's strategies is its increasing cooperation with other social movements. Most recently EPSU has supported the strikes of the French public service unions in fall 2007. Previously it has participated in several demonstrations organized by Belgian unions and ATTAC. Overall, a separate "social discourse" has emerged in the EU. By playing an active role in it, EPSU has successfully managed to broaden its social basis for the struggle against the neo-liberal restructuring of the public sector (Bieler 2005).

In the latest development, the European Commission launched a Green Paper, in November 2006, entitled: "Modernizing labor law to meet the challenges of the 21st century". The paper analyses current trends in work organization patterns and identifies the need for reforms in several areas. The paper emphasizes three areas for consideration: the development of a flexicurity agenda; the future role of social dialogue; and the increased importance of non-standard contracts. A consultation on the Green Paper with all relevant social partners has followed complementing the launching of a separate Commission communication on flexicurity. Overall, the Commission has recommended achieving greater flexibility of the European labor market through amendments to existing labor laws. However, it remains vague on what it considers to be the respective roles of member states and the EU in modernizing European labor laws. On the whole, European unions have been critical of the Commission's Green Paper, arguing that it seeks to improve companies' performance at the expense of workers, without any demands on companies. Rather than introducing further flexibility into labor law, some of them have argued that "flexibility must result from the increasing adaptability of working time, the upgrading or professional skills and of further functional multi-tasking and internal mobility" (UGT, 2007). At the time of writing, the final impact of the Green Paper remains therefore difficult to approximate.

Summary

The general economic restructuring of the European Union, expressed first and foremost in EMU, has put trade unions under significant pressure especially as far as the national level is concerned. This does not, however, imply that they have accepted the inevitability of self-destructive market competition. At the European level, the EMF has demonstrated how social dumping can be countered through European level trade union coordination of national bargaining. EPSU has shown how additional pressure can be applied through cooperation with other social movements. Interestingly, the ETUC has followed these strategies. Since 1999/2000, it has pursued the strategy of coordinating national collective bargaining. Additionally, it too has increasingly engaged in cooperation with other social movements. In sum, in a changing European and global economy characterized by increasing emphasis on the role of market forces, trade unions continue to have considerable opportunities to influence policy-making. However, the main focus of union action seems to remain on the domestic side, with trade unions encountering liberal reform programs in both Germany and France throughout 2007 and into 2008. Whether in the future European Union Confederations like ETUC will be able to play a greater role, still remains to be seen.

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