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Track 1 “Industrial Relations Actors in a Changing Labour Market”

Symposium “The Transformation of Employment Relations in Europe. Institutions, Actors and Outcomes in the Age of Globalisation and Austerity Measures”

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The European Union (EU) was born following consummation of the Treaty on European Union at Maastricht in 1992. It was the culmination of a process initiated by the 1986 Single European Act. An important goal of the Treaty was to promote growth, employment and rising living standards not just by the removal of barriers to the movement of capital, goods and labour across internal borders, but ultimately by monetary union. The common currency, and a singular monetary policy, was introduced in 1999. This profound ‘deepening’ of the EU was also accompanied by a relatively swift ‘widening’. The twelve Maastricht signatories were joined by Austria, Finland and Sweden in 1995 and by ten new member states (NMS) in 2004, mainly former communist countries in Central and Eastern Europe (CEE). By 2013 the EU had grown to 28 member states, with most (17) adopting the euro as their currency. In the course of a generation, therefore, the EU became a heterogeneous collection of states diverse in terms of history and culture, economic development, fiscal regimes, and welfare and employment institutions, yet economically bound to each other in ways never before seen on the continent outside of conquest.

The scale, pace and fundamental disconnections of this process had powerful implications for industrial relations (IR) in Europe. Most particularly, the bargaining power of organised labour became weakened by the combined effects of heightened competition (between firms in countries with very different labour cost and regulatory configurations), and increased capital concentration and mobility. The internationalisation and intensification of competition unleashed intense pressures on nationally-based IR systems, especially in manufacturing which often set the pattern for negotiations in other sectors. Firms sought looser multi-employer arrangements to facilitate flexibility in determining employment conditions and restructuring. The governance capacity of national, usually sector-based IR institutions was also diminished by the spectacular growth of multi-national companies (MNCs) which followed the integration of EU product and capital markets; annual cross-border mergers and acquisitions soared from around 750 in 1992 to 3000 at the turn of that decade (Garnier, 2007). Collective bargaining agenda were thus increasingly informed by competitive benchmarking and more or less explicit threats to relocate production or investment abroad, which intensified in the run up to the 2004 enlargement (Arrowsmith and Marginson, 2006).

Throughout this period there were other profound, and reinforcing, challenges for trade unions. First, the continued shift of employment from (labour-intensive) manufacturing to services meant that the workforce became increasingly diverse and dispersed. The gender and occupational re-composition of the labour force, and the accompanying fragmentation of employment across smaller workplaces and ‘atypical’ forms, raised profound problems for traditional modes of organization and contributed to declining membership density. Second, the information and communication technology (ICT) revolution increased the pace of change within organisations, encouraging new forms of flexible work organisation that challenged established norms. Third, labour management was increasingly informed by the philosophies and practices of ‘human resource management’ (HRM) which emphasised employee flexibility and performance and showed less concern for traditional, collective forms of labour regulation. Fourth, in the political arena, a deregulation agenda emerged which was informed by neoliberal market ideologies (Baccaro and Howell, 2011). This was manifest in the removal of restrictions (such as concerning opening hours) on private sectors such as retail and banking, in labour market and welfare reform, and in the privatisation and commercialisation of public sector organisations. As discussed below, this process intensified with the austerity measures introduced to address the severe eurozone sovereign debt problems in the years following the 2007-8 GFC.
The surface paradox is that the European project began with radical political intentions, and it remains stamped with progressive rhetoric (Anderson, 2009). The founding principles of the post-war Community were peace and prosperity, to which might now be added the goals of inclusivity, social protection, and quality of life. In particular, the Maastricht Treaty elaborated the concept of ‘social Europe’ in two main ways. First, it extended qualified majority voting to areas such as equal opportunities, the information and consultation of workers and policies to help the unemployed. The ‘social protocol’, and acknowledgement in the Treaty of the 1989 declaration of the Community Charter of the Fundamental Social Rights of Workers, led to directives concerning pregnancy and maternity rights (1992), working time (1993) and European works councils (1994). Maastricht also institutionalised mechanisms of ‘social dialogue’ involving trade union and employer representatives to inform and implement relevant regulation. Framework agreements between the inter-sectoral social partners led to directives on parental leave (1996), part-time work (1997) and fixed-term work (1999). Social dialogue at the European sector level also intensified after the Commission’s decision to support the establishment of sectoral social dialogue committees (SSDCs) in 1998.

However the ‘social dimension’ has always been feeble compared to the economic imperative of European integration. It has withered further as the EU has grown. The increased diversity of the EU placed greater emphasis on ‘subsidiarity’ and looser forms of coordination. Hence, subsequent framework agreements tend to relate to less contentious areas of employment – telework (2002), work-related stress (2004), harassment and violence at work (2007), inclusive labour markets (2010) – and were not transformed into directives. Much of the work of the SSDCs has a similar focus around joint concerns and exhortation; and the case of temporary agency work (which eventually led to a directive) illustrates how employers can frustrate progress towards agreement when there are ‘harder’ issues to negotiate. The European Trade Union Institute (ETUI) attributes much of these shortcomings ‘to heavy (business) lobbying of the European institutions in the context of widespread determination to deregulate and flexibilise labour law’ (Clauwaert et al, 2009: 76). The influence of organised labour has diminished in the social (let alone economic) policy sphere therefore, as well as at the enterprise and workplace levels. Maastricht opened Pandora’s box, giving free rein to capital and undermining the pillars of the European social model on which the loftier social and employment aspirations of the EU depend. Notwithstanding the political complexion of national governments, the fact of the internal market places pressure on member states to pursue ever more business-friendly social, fiscal and labour-market policies, all within an EU policy framework that favours a conservative approach to macroeconomic and market governance.

**Objectives of the book**

It is in this context that this book takes as its main themes not only the challenges that the above developments pose for labour markets and industrial and employment relations ‘models’ in Europe, but also the main strategies involved and the outcomes of change since the end of the 1980s. It is designed to be original in two ways. First, its focus is not just on recent changes but concerns the transformation of work, employment relations and labour markets in the first two decades of the EU - by taking a recent historical perspective, the patterns of change across different sectoral and national-institutional contexts can be better understood. Second, it is organised thematically rather than compiled as a comparative handbook, in which changes are largely described on a country-by-country basis. Though this means that not all countries or important issues can be addressed (an impossible task in any case), it aims to provide analytical consistency in that the chapters collectively contribute to a deeper understanding of the bigger picture over time, as well as addressing important topics in their own right.

Two objectives are central to this volume. First, we aim to identify the key trends and changes that have occurred in employment relationships, labour markets and industrial relations systems in Europe since the formation of the EU in the early 1990s. This is done by connecting (a) the nature of the processes through which these changes have materialized
across different countries (such as the evolution of the structure of collective bargaining and systems of collective representation; the enlargement of the EU; the restructuring of employment relations in the public sector) with (b) the outcomes to which these processes have contributed, particularly in terms of working conditions (wages, working time and work organization), and finally (c) the social and employment policy discourses (such as flexicurity and employability) which have followed and reinforced these transformations at both European and national levels.

Second, we want to explain the nature of these transformations and explore the conditions underpinning them. Here the various chapter contributions reveal that similar trends can be observed across countries that reiterate a move towards market liberalization. Though manifested in various ways, the common process emerges of a dynamic promoting the flexibilisation and de-regulation of the employment relationship. As will be shown in the chapters that follow, this has developed progressively in Europe over the past twenty years but, in the context of the recent multi-dimensional (economic, financial, social and political) crisis, is now something more compelling and novel to such a degree that relevant aspects of working conditions, in particular wages, are explicitly seen as adjustment variables for redressing economic imbalances and national competitiveness in Europe. As recalled in Chapter Nine by Pulignano in this book, the European Commission (2011: 20) put it clearly in expressing its new European economic governance policy: ‘reforms of labour markets and in particular in relation to wage-setting mechanisms need to ensure efficient adjustment of labour costs in order to facilitate absorption of macroeconomic imbalances and to reduce unemployment’. The liberalizing developments and trends identified in this book are thus anticipated, by policy makers at least, to continue apace in the near future and beyond.

The basis of our thematic approach is a recognition that focusing on national institutional settings, especially in comparative perspective, is a necessary but incomplete way to understand the multi-layered nature of change in Europe, and in particular the changing roles and strategies of the key actors. In the past decade or so, a stream of literature associated with ‘neo-institutionalist’ perspectives has made significant contributions to our understanding of the nature of employment and industrial relations systems. The ‘varieties of capitalism’ approach, for example, analyses the broadly contrasting employment policies of firms in coordinated or liberal market economies (Soskice and Hall, 2000). Another highly influential way of understanding different forms of labour market regulation has been the analysis of differences between social democratic and liberal welfare state systems (Esping Andersen, 1999). These models provide valuable insights into the institutional similarities and differences between countries, but have been criticized for a functionalist emphasis on complementaries and path dependency (Heyes et al, 2012).

Two further sets of contributions emphasise the need for a dynamic and actor-centred approach to the political economy of labour regulation. First, Marginson and Sisson (2004) highlight the complex and multi-level nature of the governance of European employment systems, which leads to varying (and variable) degrees of integration. They also emphasise the need to focus on intra- and inter-country dynamics through the lens of the sector, following the approach of Katz and Derbishire (2000). Their research identified a tendency towards ‘converging divergences’, whereby sector-level employment regulation and outcomes come to look increasingly similar across countries, which at the same time helps to promote increased differentiation between sectors within countries. An important element in shaping this process was collective-bargaining decentralization and, in particular, declining trade union power, even if many of the institutions formally regulating employment appeared to retain their chief distinguishing characteristics (Katz, 1993, 2005). This leads to the second key contribution, which is the importance of a longitudinal perspective. A focus on evolving power relations shows how radical, and to some degree convergent change can be wrought incrementally within national systems that appear more or less formally continuous and distinct (Crouch and Farrell, 2004; Streeck and Thelen, 2005; Thelen, 2003; Pontusson, 2005).

Hence, there is a need to simultaneously focus on the key drivers and outcomes within and between countries, especially the role of the actors, if we are to arrive at a more thorough understanding of the dynamics of change (Bosch et al., 2009). This is why we invited our
contributors to provide an integrated analysis of some of the main transformations that have occurred in the European employment space, rather than produce a series of discrete country cases. Our focus is threefold: the primary processes driving change within and across countries; the main outcomes that they have produced in terms of IR arrangements, working conditions and labour standards for employees; and the policy discourses which have both sustained and followed these developments.

**Plan of the book**

The contributions in Part One analyse institutional developments in the private sector at national and at firm levels, in the public sector and in the NMS. They demonstrate that the formal institutional continuity that largely characterises industrial relations in the EU masks fundamental changes that disadvantage organised labour. Part Two explores outcomes in terms of the triple nexus of the ‘wage-effort bargain’, namely pay, working time and the organisation of work. The common theme is one of heightened employer control under the banner of flexibility. Competition and decentralisation have been the principal drivers of an increased moderation and differentiation of wages, more irregular working patterns and work intensification throughout much of Europe. Part Three looks at the EU-level policy dimension. On the face of it, the social dimension has been articulated through the social dialogue process and by the emergence of a portfolio of regulations around areas such as anti-discrimination and collective representation. But there has also been a shift to increasingly ‘soft’ forms of coordination centered on an ambiguous but implicitly deregulatory agenda of ‘employability’ and ‘flexicurity’. The overall verdict of part three – indeed, of the book overall - is one of unfulfilled promise, of social Europe manqué.

**Part One - Processes**

In Chapter Two, Keith Sisson analyses institutional developments in collective bargaining in the private sectors of the major western European economies. He argues that the common and defining feature of IR in these countries - multi-employer bargaining (MEB) - is now seriously under threat. This is largely because the internationalisation of markets and competition from the early 1990s, along with changes in the scale and structure of business, undermined the institutional compromise that MEB represented. Sisson identifies a process whereby sector-based MEB became increasingly narrower in scope and weaker in substance, concerned with a competitiveness agenda also served by national-level ‘social pacts’. He concludes that the institutional structures of MEB are likely to endure, not least as they remain embedded within wider social contracts that often include statutory entitlements for trade unions, but they are likely to become increasingly hollow without a renewal of the political will on which they increasingly depend.

This theme is further explored by Miguel Martínez Lucio and Maria González Menéndez in their exploration of developments at workplace level. Works Councils continue to play an important role in the IR systems of the EU (the NMS and anglophone countries apart), but this apparent continuity is deceptive. Overall, the original logic of class compromise that institutionalized collective representation in the workplace has been undermined by employers’ heightened competitiveness concerns and trade union membership decline. Perhaps even more fundamentally, the authors also explain how a series of ‘fracturing processes’ have introduced new fissures within collective representation. This is linked to changing relations between the sector and firm levels of collective bargaining, between works councils and trade unions, between collective and direct forms of representation, and between different constituent units of the firm. Though there are different trajectories between national systems, there is a common tendency to fragmentation which, the authors suggest, might ultimately and perversely pose challenges for management as well as unions at local level in dealing with workplace labour issues.

Attention shifts to the public sector in chapter four. Here, trade union growth was historically linked to the expansion of the welfare state and a benign support for social
corporatism in many European states. However in recent decades trade unions and collective bargaining have been threatened by the market-oriented tenets of ‘New Public Management’ (NPM). Giuseppe Della Rocca charts how varieties of NPM emerged across Europe, fuelled by concerns with the cost and quality of public service and implemented by means of decentralization and employment practices such as performance management and variable pay. The overall picture is one of a hybridisation of employment regulation between market and administrative forms and involving a mix of collective bargaining and unilateral practice – with the latter most obvious in the wave of austerity responses to the post-GFC crisis. A common theme is the undermining of the status and employment terms and conditions of public servants. He argues that this represents a fragmented and fluctuating process of partial convergence between sectors and countries.

In chapter five, Guglielmo Meardi examines the emerging systems of IR in the NMS. These remain largely disorganised and market-oriented; though there are differences between these countries, they each maintain weak collective bargaining institutions at all levels, especially in the private sector, and offer much lower standards of labour protection and welfare than in Western Europe. For this reason, developments in the CEE countries are not only of regional interest – their labour-market and employment systems fundamentally challenge the core assumptions of the ‘European Social Model’. The argument of this chapter is that accession to the EU has not prompted convergence towards Western European patterns, and efforts to graft on social dialogue, such as in the form of national social pacts, have largely served to incorporate trade unions and undermine their mobilisation capacity. Furthermore, Meardi demonstrates that EU accession was deleterious for workers even before the GFC, contributing to large-scale emigration and a level of social disenfranchisement that questions the social sustainability of what he describes as an extreme neo-liberal experiment in these countries.

Part Two - Outcomes

In chapter six Maarten Keune and Kurt Vandaele show how ‘solidaristic wage policies’, premised on a degree of horizontal and vertical wage standardisation within countries, have given way to competition-oriented arrangements geared to wage moderation and flexibility. Pay inequality and variability tends to be greatest in countries with single-employer bargaining arrangements, but even with MEB arrangements there is greater use of performance-related pay schemes and a declining wage share. This is explained by the pressures introduced by economic integration both at national and firm levels. Essentially, pay restraint and variability were the product of tripartite ‘social pacts’ and collective-bargaining decentralisation in a context of increased competition and declining trade unions. In this context schemes such as minimum wages have had little purchase on maintaining solidarity in national wage systems.

Developments in working time patterns and regulation are reviewed in chapter seven. The duration of working time, especially long hours and part-time hours, is heavily gendered. It is also fragmented by sector and country-level factors such as the level of economic development and productivity, tax and benefits systems, social norms and regulation by law and collective bargaining. Amidst this diversity, Arrowsmith highlights a widespread growth in flexible working time arrangements which has helped normalise ‘atypical’ and irregular work and undermine considerations of ‘work-life balance’. Reduced hours have been a historic goal of trade unions, and greater control over scheduling has become increasingly important to improve quality of working life. However in recent decades increased competition, the growth of MNCs, persistent unemployment and IR decentralisation have conspired to shift the working-time agenda away from union interests to serving employers’ flexibility needs, and the GFC also furthered concession bargaining over working time in the cause of saving jobs. Arrowsmith also argues that the history of the Working Time Directive (and regulatory developments in countries such as France) demonstrates the political hegemony of employers’ interests in this vital area.

The transformation of work organisation over the past two decades, and its relationship to labour regulation, is analysed by Ludger Pries in chapter eight. The shift from manual to
white-collar and professional work, the introduction of new forms of ICT and the internationalisation of markets and organisations have helped drive new forms of work organisation espousing employee participation and collaboration in the pursuit of innovation and change. However, Pies argues that rather than humanising work, the reality is more often one of an intensification masked by superficial de-taylorisation. Inter-firm competition, and the decentralisation and marketisation of intra-firm relations, have increased work demands – including at the normative level - while new forms of working such as teamwork are concerned to enhance managerial control. Given that the organisation of work is not an objectively neutral activity but is shaped by power relations, these changes in work organisation are facilitated by, and contribute to, changes in modes of labour regulation. Pries concludes that while there is much potential for a cooperative mode of work organisation based on innovation, employee participation and high labour standards, much will depend on developments in the politics of labour regulation and these do not appear favourable at the present time.

Part Three - Policy

The changing nature of European social and employment policy is the focus of chapter nine. Valeria Pulignano charts a growing disconnection between market and social integration as the former introduces greater complexity, diversity and uncertainty into the European employment space. The policy response was to move from the legislative approach, originally associated with 'harmonisation', to 'soft' forms of employment and labour-market co-ordination such as social dialogue and the 'open method of coordination' (OMC). European regulation thus appears increasingly limited and tentative at a time when fears of 'social dumping' and 'regime competition' have become more acute. Nevertheless, Pulignano argues that the emergence of these new mechanisms, positioned as they are to involve and influence the social actors, has at least the potential to improve governance capacity. The key is to develop integrated and complementary approaches that deliver the authority of traditional instruments with the flexibility and stakeholder engagement associated with looser forms of regulation. Again, however, recent developments suggest this is unlikely at the current time.

The next chapters focus on two important policy goals that arguably define the current EU employment policy agenda. The concept and practicalities of 'employability' is analysed by Jonathan Winterton and Nigel Haworth in chapter ten. The term emerged in the 1980s and reflects the concern of supply-side economics with labour market reform. The authors chart how, and with what implications, it became an increasingly important focus of the European Employment Strategy as it emerged in the early 1990s. Its attractiveness to policy makers is two-fold. First, it serves an ideological function in re-problematising unemployment in terms of the performance of individuals and markets. Second, it permits looser economic coordination in the form of guidelines and reporting linked to employment (not unemployment) targets. In terms of effects, Winterton and Haworth analyse national reports to demonstrate a diversity of practice at member-state level (whilst acknowledging the subsidiarity principle built into the framework)- but also a generic concern to 'modernise' labour market institutions in pursuit of greater flexibility. The authors argue that this focus fails to tackle the fundamental problems associated with deficiencies in the demand side of the European economy.

We close with an equally innovative analysis of another concept which has dominated the European employment discourse since the early 1990s – flexicurity. This term is related to employability but has a more explicit focus on the role of the social partners at firm and sector levels. The authors, Ton Wilthagen, Ruud Muffels and Heejung Chung, introduce a conceptual model of national labour-market performance which they then test using empirical data. They observe a number of familiar country clusters along a range of different dimensions, with no strong evidence of convergence. They conclude that it is countries with the most robust and articulated industrial relations systems, such as the 'continental' and 'nordic' blocs, that are better able to balance flexibility and security; elsewhere, the former tends to hold sway.
Conclusions

The overall theme to emerge from these contributions is that the IR dimension of the EU project involves a combination of undoing and reconstruction that leaves organised labour increasingly vulnerable. This is less a matter of institutional deconfiguration, or convergence, than the product of processes that have fundamentally transformed the power resources of capital and labour. Though employment deregulation, albeit within existing institutional boundaries, is a common theme, the overarching narrative is of an ever-more aggressive pursuit of ‘flexibility’ by employers and the state in the context of trade union retreat. This process may best be understood as congruence rather than convergence. Across Europe, firms have increasingly focused on costs and flexibility and are therefore more concerned with the internalisation and localisation of bargaining. States are also more concerned with active labour market policies such as training initiatives and welfare reform to promote work incentives. And at the supranational level the profound complexity introduced by the simultaneously ‘wider’ and ‘deeper’ European Union has prompted an employment policy based on ‘soft regulation’ in the form of benchmarking and monitoring around goals and minimum standards.

In the 1990s, Dolvik (2000: 48) noted ‘an ambiguous instance of institutional stabilization and qualitative transformation’ in European industrial relations. Whilst the transition to EMU lent some support to IR institutions (for example, through various employment ‘pacts’), it also helped transform their functioning around competitiveness and wage restraint. It was always clear that the incomplete architecture of EMU (a monetary but not a political, fiscal or even a banking union), together with different levels of economic development and competitiveness amongst its constituent member states, would intensify competition and restructuring, and ensure that any external shock would have severe asymmetric effects (Sisson, et al, 1999). Less well anticipated perhaps was the effect it would have on transferring power to large corporations (Crouch, 2011; Nolan, 2011). As a result, in the new millennium, institutional frameworks too began to change; Germany is the paradigm case where ‘a severe erosion of the system of collective regulation’ occurred not by full-frontal attack but through the incremental and cumulative effect of declining collective bargaining coverage, increased recourse to exemptions, changed works council functions and the like (Baccaro and Howell, 2011: 30).

Each of the contributions to this book take the broad processes of liberalization, deregulation and internationalization as the overarching context in which to identify the magnitude and significance of the transformations that have occurred in European employment relations in the last two decades. Though this might suggest some sort of general trend towards convergence, this is enacted less in terms of closer institutional similarities, or radical institutional change, than as a product of changing power relations and strategies. What emerges is a continuous process of fragmentation in employment relationships, which potentially elicits degradation of working conditions (eg wages, working time, quality of work, participation at work) and which is aggravated by changing European and national economic-driven policy discourses. A simple but effective expression of relative economic and political power is the wage share of gross domestic product. Since the formation of the EU, ‘real wage growth has tended to fall continuously behind productivity increases and profits’, and the wage share declined from 70% in 1992 to 65% in 2007 (Arpaia and Pichelmann, 2008: 29). Perhaps an even more fundamental indication of power resources is how the economic and political crises in Europe that followed the GFC hardly led to new and significant constraints on international capital; rather, it led to further assaults on labour through austerity and yet more corporate restructuring.

Thus, if there are convergent pressures and effects, the process is mediated by the differentiation of employment relations in Europe, within what remain highly diverse national economies and societies. Most EU workers, it should be remembered, reside in just six countries - Germany (17%), the UK (14%), France (12%), Italy (11%), Spain (9%) and Poland (8%) - each of which maintain highly distinctive systems of employment and labour market regulation. As our authors explain, the key to understanding the transformations that have occurred is to recognise the fundamental shift in the balance of power within the
employment relationship. This has been driven by the internationalisation and concentration of business and facilitated by various de-regulatory state policies. Institutions have changed, but more important is the contribution of changed power relations and actors’ strategies in reconfiguring the focus and function within those institutions towards a ‘flexibility’ agenda.

References

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