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Europe's industrial relations in a global perspective

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CHAPTER 1: Europe's industrial relations in a global perspective

From a global perspective, the European Union is a forerunner in combining a market-building agenda with a social agenda which includes emerging European industrial relations. In other global regions this process has barely begun and the EU is sometimes seen as a model for the development of a regional social dialogue. While industrial relations arrangements in EU Member States continue to differ in traditions and practices, a limited convergence between them can be observed and is partly related to the EU as a regulatory space. The emergence of EU-level industrial relations is evidenced by a growing number of mutually reinforcing institutions, policies and processes at EU level and focusing on the social dimension of the market.

The chapter ⁽¹⁾ begins with a survey of the key institutions of industrial relations in Europe, then describes the process and elements of Europeanisation, and finally compares Europe's approach to social dialogue and industrial relations to other economic powers and world regions.

The institutional characteristics of European industrial relations

The industrial relations arrangements in Member States of the European Union differ among each other, as do their welfare state regimes and social models (Esping-Andersen, 1990; Crouch, 1993; Van Ruysseveldt and Visser, 1996; Ebbinghaus, 1999). However, they also share a number of elements, and these commonalities across the EU distinguish it from other regions in the world. Historically, the industrial relations arrangements and their achievements in contributing to growth and publicly secured social protection in post-1945 western Europe have rested on **four institutional pillars**: strong or reasonably established and publicly guaranteed trade unions; a degree of solidarity wage setting based on coordination at the sectoral level or above; a fairly generalised arrangement of information, consultation, and perhaps co-determination at the firm level based on the rights of workers and unions to be involved; and routine participation in tripartite policy

arrangements (Streeck, 1992; Traxler, 2002; Visser, 2006a).

Each of these pillars will be briefly examined in the context of the various enlargements of the European Union, from the Community of six to the Union of 27 Member States. For each of these periods, the arithmetic mean (weighted by country size in the case of union density and coverage rates) will be shown, as a measure of develop-

ments or **trends** over time. Further, in order to explore **commonalities** across the EU at different times, the standard deviation, i.e. the dispersion or variance about the mean, will be used. Since the standard deviation is measured in the same units as the mean, it can easily be understood and compared. The data are from the 'Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS) database (see Box 1.1).

Box 1.1: The ICTWSS database

The ICTWSS database contains data on wage setting (bargaining coordination, state intervention, minimum wage regulation), social pacts and agreements (type, actors, wage and non-wage issues, and years of application), industrial relations institutions (bipartite and tripartite councils, routine involvement in policymaking, sectoral organisation, and employee representation in firms) and trade unions (gross and net membership, union density, bargaining coverage, organisational concentration, unity, authority of peak federations and national unions, bargaining centralisation). Currently, the database contains annual data for 34 countries, including all of the EU-27: Australia, Austria, Belgium, Bulgaria, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden, Switzerland, the United Kingdom and the United States, from 1960 to 2006/07.

The data are mostly from national sources (books, journals and reports for the earlier years; government reports and documents from the social partners, excerpts from the European Industrial Relations Observatory (EIRO) and the *European Industrial Relations Review* (EIRR) for the 1990s and since). The union membership data are from national sources, preferably household or labour force surveys, or else administrative data provided by the trade unions to the national register or statistical office. Scrutiny of the data and procedures to enhance comparability follow the checks and rules explained in detail in Ebbinghaus and Visser (2000), Visser (2006b) or at the OECD website (statistics section, and *OECD at a glance*). Differences from the statistics reproduced in the *Industrial Relations in Europe* reports of 2004 and 2006 are due partly to new data becoming available and causing the revision of the older series, and partly — in the case of the 2006 report — to the use of different sources.

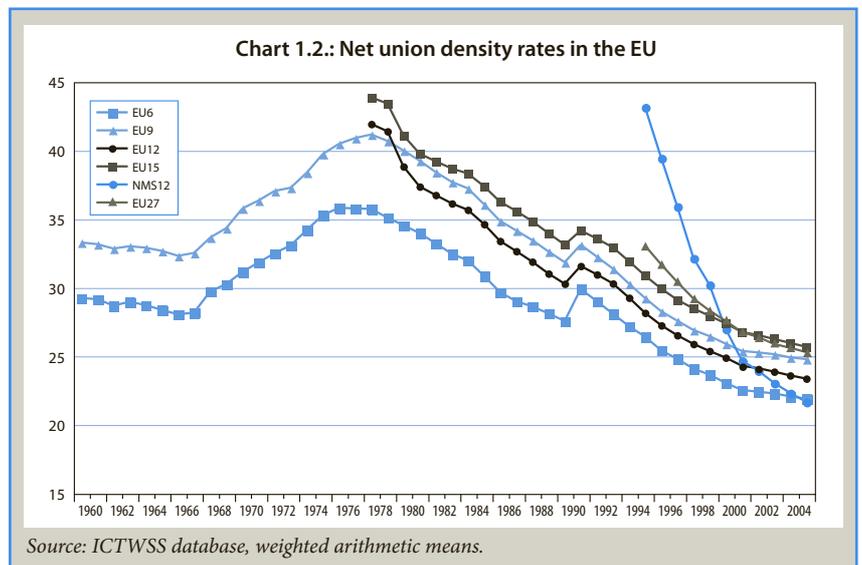
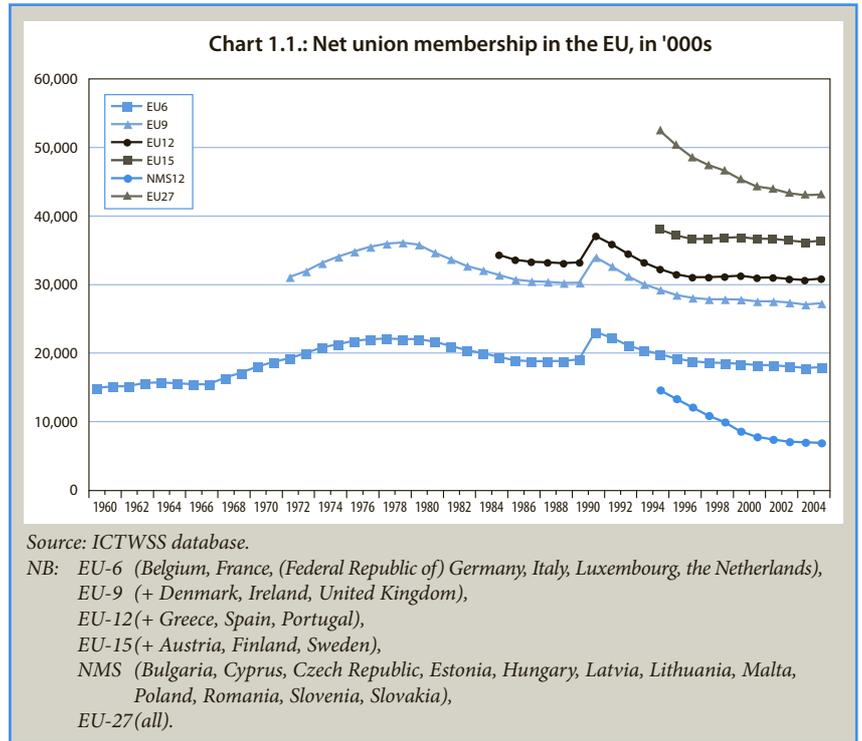
The ICTWSS database can be obtained and used for scientific purposes via the AIAS website (<http://www.uva-aias.net>) and should be cited as: Visser, J. (2008), 'Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS), an international database, Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam.

¹ This chapter is based on a draft by Jelle Visser and Monika Ewa Kaminska of the Amsterdam Institute for Advanced Labour Studies (AIAS).

Pillar I: Strong or reasonably established and publicly guaranteed trade unions

The definition of a 'strong' trade union is not easy. A sufficient membership base, a capacity to begin and end a strike or other forms of protest if necessary, independent finances and staffing, the capability to enter negotiations with employers and government, and sign and implement agreements are all ingredients of such a definition. 'Strength' determines the capacity to influence social and economic developments, which goes beyond the mere recognition of the right to organise and bargain, as guaranteed under the relevant ILO conventions and the law of each and every EU Member State. In this section, two measures of union strength are discussed, aggregated at the level of Member States, for which comparative data are available: union membership (absolute and relative to the employed wage earning population); and union centralisation (combining the horizontal and vertical dimension of trade union unity and authority, and taking into account the level at which they bargain with employers), (see Box 1.2).

Current net union membership in the EU-27 stands at 42.3 million. This is the number of paid union members in employment, not counting the self-employed. Unemployed workers and members who have retired from the labour market based on a disability pre-retirement or old-age pension are not included. With these members, gross EU-27 union membership is close to 60 million. Chart 1.1 shows the effect of the different enlargements. Obviously, each enlargement has increased the absolute number of union members, but within each group we find a stagnating or declining membership. Set against the growth of the employed wage earning population, this translates in falling density rates (Chart 1.2).



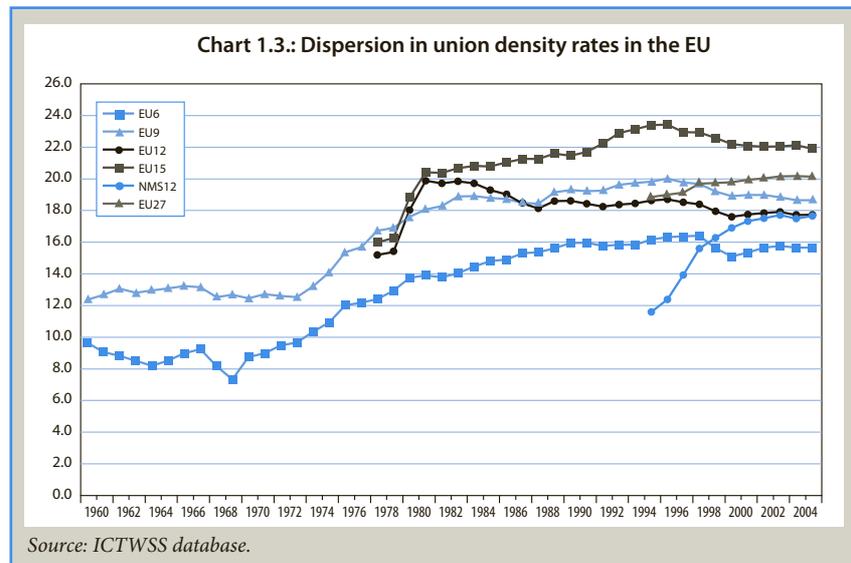
The **union density rate**, defined as the net union membership as a proportion of the wage earning population in employment, averages 25.1⁽²⁾ across the 27 Member States of the EU, meaning that one in four employees joins a trade

union. Chart 1.2 shows that this average has been on a downward trend since the 1970s for all the different configurations of the EU, most spectacularly so in the Member States that joined the EU in 2004 and 2007. The more interesting statistic, for the purpose of exploring commonalities, is the standard deviation, shown in Chart 1.3.

² This is the weighted average; the unweighted average is 32.5.

The divergence in unionisation rates across EU Member States is not only large but is larger than in the early days of the European Economic Community irrespective of the successive enlargements. Thus, the dispersion in union density rates has become larger **within** the EU-6, EU-9 or EU-12. However, Chart 1.3 also reveals that the divergent pattern in unionisation observed during the 1970s and first half of the 1980s was halted and even turned into a mildly convergent trend during the 1990s. Similarly, the experience of trade unions in the 12 Member States which joined the EU in 2004 and 2007 (NMS in charts) suggests at first a sharply divergent development until around 2002. This ended, however, by the time of their accession to the EU or even earlier while preparing for accession. This end to further divergence — first among the EU-15 and later among the NMS and EU-27 — suggests that EU institutions and policies may serve as 'anchors' for Member State policies, for instance by enhancing union status or guaranteeing rights, or in any case exposing unions to a more similar set of pressures and conditions, for instance through the policies of the internal market, monetary union, the *acquis communautaire*, and the reform agenda of the Lisbon strategy (see Section 2).

The aggregate strength of the trade unions in a given country is determined by their unity and the capacity of the leadership to define, defend and implement common policies. This is reflected in union **centralisation**, which is a measure that combines the dimension of unity (number of and cooperation between federations and unions) and authority (capacity to make joint decisions and gain the compliance from lower-level units in the movement or organisation) (Box 1.2). The measure of union centralisation used here refers to union bargaining behaviour, taking into



Box 1.2: Union centralisation

Centralisation is a composite indicator taking into account the authority of unions and union confederations, their unity and organisational concentration at multiple bargaining levels (see Iversen, 1999; Visser, 1990). The idea is that union bargaining decisions can become centralised in two ways, horizontally and vertically, i.e. by concentrating decisions in one rather than many actors (i.e. concentration or unity) and by allowing higher levels in the organisation (i.e. confederations relative to their affiliated national unions, and national unions relative to local, regional or company units) to control negotiations, strike decisions, funding and staffing. This is detailed in the ICTWSS database in a five-point scale for both (cross-sectoral and sectoral) levels above that of the company, in effect measuring the resources with which confederations and national unions can exert influence over bargaining decisions. (This approach is close to that of Traxler, Blaschke and Kittel (2001) and their emphasis on compliance.)

Formally, the centralisation index can be written as

$$\sqrt{[Cf_{authority} * \sum_i^n (pC_i^2)] + [Aff_{authority} * \sum_i^n (pA_i^2)]}$$

where pC_i and pA_i denote the proportion of total membership organised by the i^{th} confederation C or affiliate A and n is the total number of confederations (affiliates). Taking the square root of the sum serves to magnify the differences at the low end of this scale (cf. Iversen, 1999:53).

For an extensive definition see *Industrial Relations in Europe 2004 report*. For data on union authority and concentration see also Table 2.3.

account the levels at which bargaining takes place, the vertical ordering of these levels, and the effective number of unions or bargaining agents at each of these levels (Iversen, 1999; *Industrial Relations in Europe 2004 report*). The arithmetic means and standard deviations are shown in Tables 1.1 and 1.2.

Overall, there is a slight decentralisation trend, only interrupted by the 1995 enlargement, with the addition of the rather highly concentrated and centralised unions of Austria, Finland and Sweden (Table 1.1). Across countries, trends appear to diverge after the mid-1990s. The general tendency of bargaining at lower levels (from

Table 1.1: Arithmetic means for the diverse EU enlargements

	Indicators	EU-6	EU-9	EU-12	EU-15	EU-27
		1960-71	1972-84	1985-94	1995-03	2004-06
Pillars						
I	Union density (%) (*)	29.5	39.1	31.6	27.8	24.4
	Union centralisation (0-1)	0.483	0.445	0.409	0.471	0.369
II	Sectoral bargaining (0-2)	1.5	1.4	1.3	1.5	1.2
	Bargaining coverage (%) (*)	74.7	74.5	74.0	75.9	62.5
	Wage coordination (1-5)	3.1	3.3	3.1	3.4	2.8
III	Works councils (0-2)	1.4	1.6	1.5	1.6	1.5
IV	Consultation (0-2)	1.1	1.2	1.0	1.3	0.9
	Social pacts (**)	0.0	17.1	27.5	31.9	16.7

Source: ICTWSS database.

(*) Weighted arithmetic means; the other arithmetic means are unweighted.

(**) Percentage of Member States signing social pacts (averaged over multiple years).

Table 1.2: Standard deviations for the diverse EU enlargements

	Indicators	EU-6	EU-9	EU-12	EU-15	EU-27
		1960-71	1972-84	1985-94	1995-03	2004-06
Pillars						
I	Union density	8.6	16.0	18.5	22.6	20.1
	Union centralisation	0.16	0.11	0.09	0.14	0.13
II	Sectoral bargaining	0.5	0.6	0.7	0.6	0.8
	Bargaining coverage	6.0	10.4	12.9	18.4	26.3
	Bargaining coordination	1.2	1.4	1.2	1.1	1.2
III	Works councils	0.7	1.0	0.8	0.7	0.8
IV	Consultation	0.9	0.8	0.8	0.6	0.5
	Social pacts	0.0	37.0	42.6	45.7	44.3

Source: ICTWSS database.

national to sectoral and from sectoral to company bargaining), witnessed in many countries in recent decades, is in some Member States offset by the agreement of social pacts and framework agreements, often with soft targets and rules, in others by the increasing concentration of unions in a smaller number of bargaining agents, thus adding to horizontal coordination. Where these countertendencies are absent, decentralisation is more

radical, explaining the increased divergence.

Pillar 2: Solidarity wage setting based on coordination at the sectoral level or above

Union or bargaining coverage, together with the minimum wage (provided it is set at a level that is high enough), appears to decrease earnings inequal-

ity more than any other measure. Levels of earnings inequality tend to be significantly lower in countries with high levels of bargaining coverage, both in the 1980s and in the 1990s (Visser and Checchi, 2009, and sources cited there). This is true even if agreements are less constraining and set minimum rather than standard rates, as appears to be the recent trend. Chapter 3 looks at the issue of wages, earnings inequality and pay gaps.

Bargaining or union coverage rates, i.e. the proportion of employees covered by collective agreements negotiated by trade unions, yield probably the best estimate of the presence and relevance of unions in the economy. Averaged across the 27 EU Member States, 60 % of employees are covered by collective agreements. Unlike union density rates, bargaining coverage rates tend to be rather stable over time. The main recent change in the average coverage rate (see Table 1.1) is the effect of the 2004 and 2007 enlargements, which added a group of countries where the institution of collective bargaining, in particular its sectoral format based on employer organisation, was much less established or had to be built up from scratch (Visser 2007a). However, over the years, with each enlargement the variation in bargaining coverage rates among single Member States did increase (see Table 1.2), suggesting divergent experiences. The high average was maintained because some Member States (Belgium, France and Austria) moved to an almost 100 % coverage rate, counterbalancing the fall in coverage rates in other Member States (the UK in particular and to a lesser degree Germany) ⁽³⁾.

³ For historical data going back to the 1950s and 1960s the reference is Ochel (2001) based on qualified guestimates from industrial relations experts. For the 1970s and 1980s the best source is Traxler (1994).

The main explanation of high coverage rates is the existence of sectoral (or multisectoral) employers' organisations with a mandate to conclude agreements with sectoral (or multisectoral) unions. Such organisations exist and have a bargaining mandate in most EU-15 states, though no longer in the UK, but are sparse in the new Member States (except in Slovenia and, to a lesser extent, in Slovakia). In addition to employer organisations there is also the effect of public policy. In many EU countries the social partners can ask the government to declare contracts generally binding, thus preventing competition to undercut the agreed wages, working hours or other conditions. This raises the coverage rate and in many sectors makes agreements viable, especially when union membership is low (though in many cases the requirement is that, before extension, the agreement must cover at least half of employees, meaning that either employers or unions must be well represented). Extension, however, is only possible where there is a sectoral agreement. Thus even where Member State laws provide for the possibility of extension but unions and employers cannot reach sectoral or multi-employer agreements, the effect will be nil. (France, where the law also allows the Minister to enlarge agreements to other sectors is exceptional in this regard.) Generally, most EU governments endorse collective bargaining. The same positive message comes from the European-level social dialogue.

The cornerstone of bargaining coverage and of the ability of unions to reduce the pay differentials between workers employed in different firms is the organisation of **bargaining at the level of sectors or above** (Teulings and Hartog, 1998; Streeck, 2005, Traxler et al., 2001). The figures in Tables 1.1 and 1.2 are based on a three-point scale. If

bargaining in the market sector occurs at the sectoral level, or above the sector at the national level for the entire economy or private sector, a score of '2' is given. If sectoral bargaining is shared or alternated with company bargaining, with limited authority of national unions over local bargainers, the score is '1'. If sectoral bargaining is absent or rare, the score is '0'. The average statistics calculated for the EU Member States indicate that the sectoral model is predominant in Europe, though weakening since the 2004–07 enlargements, as it has had difficulties establishing itself in most of the new Member States. On this account, the variation between Member States has increased.

Coordination of wage bargaining across the economy — between unions and employers, and within union or employers' organisation, with or without the help of the government — provides another measure of 'solidarity' bargaining, for instance expressed through wage moderation in times of high or rising unemployment.

Chart 1.4, based on the indicator described in Box 1.3, suggests there is considerable variation among EU Member States combined with stability

over time within individual Member States. The major changes are observed in Ireland, where a period of uncoordinated bargaining in the 1980s was followed by a series of social pacts that fixed maximum ceilings on wage increases across the economy. Belgium and, in later years, Finland are other examples of such attempts at coordination in which the state takes an active role. In contrast, after a period of centralised wage agreements, both Sweden and Denmark moved to lower (sectoral) levels of coordination. Quite a number of Member States are now applying mixed sector and economy-wide bargaining or pattern setting ('4') and irregular sectoral bargaining ('3') or mixed sector and company bargaining ('2'). Economy bargaining based on enforceable agreements or direct state imposition is rare, as is lack of coordination above the company level — currently found only in the UK and Malta. In central and eastern Europe and in France the state often attempts to use the statutory minimum wage and/or wage setting in the public sector as a 'lighthouse' for coordinating wages throughout the economy, but such attempts are easily thwarted by politically and electorally motivated decisions on minimum wages and specific labour market pressures in the public sector.

Box 1.3: Index of bargaining coordination

- 5 = economy-wide bargaining: based on enforceable agreements between the central organisations of unions and employers affecting the entire economy or entire private sector, or by government imposition of a wage schedule, freeze, or ceiling.
- 4 = mixed sector and economy-wide bargaining: central organisations negotiate non-enforceable central agreements (guidelines) and/or key unions and employers associations set pattern for the entire economy.
- 3 = sector bargaining with no or irregular pattern setting: limited involvement of central organisations and limited freedoms for company bargaining.
- 2 = mixed sector- and firm-level bargaining: with weak enforceability of industry agreements
- 1 = none of the above: fragmented bargaining, mostly at company level.

This index is based on Kenworthy (2001) and applied with some small modifications. Traxler, Blaschke and Kittel. (2001) offer an alternative two-dimensional index, in which the level of bargaining, and coordination, is distinguished from the capacity of organisations to enforce, jointly or individually, their commitments. Important as this is, this element is picked up in the centralisation measure, discussed in Box 1.2.

Pillar 3: Generalised arrangement of information, consultation, and perhaps co-determination in the firm based on the rights of workers and unions to be involved

The ability of workers, directly or through their unions, to set up and be represented by an elected works council or system of representation within the firm is the main institutional provision under pillar 3. Such a provision may be based on a general agreement, as tends to be the case in Scandinavia, on a company or sector agreement, as used to be the case in the UK, or it may be mandatory by law, as is the case now in most EU Member States. In March 2002 the European Council and Parliament adopted Directive 2002/14/EC establishing a general framework for informing and consulting employees. This directive applies to firms employing at least 50 employees.

Employee representation at the level of enterprises or firms is measured by a three-point scale constructed on the basis of two questions which, if both answered with 'yes', result in a score

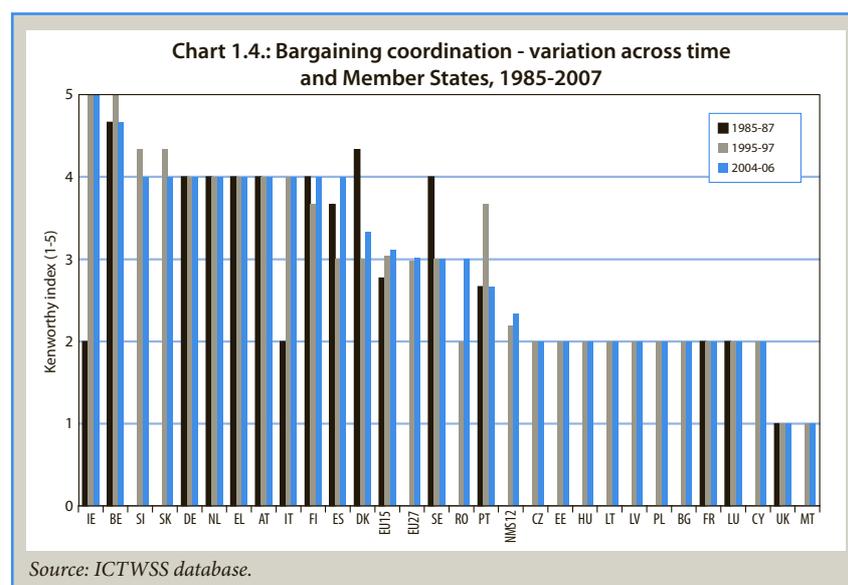
of '2'. If one is answered with 'yes' the score is '1' and if none is answered with 'yes' the score is '0'. The first question is whether there is a right to information and consultation based on public law and/or a general agreement with binding effect on firms; the second question asks whether all firms above the size of 50 employees are effectively covered. Due to European legislation, there appears to be a mildly convergent trend since the 1990s, after a divergent experience in the 1970s and early 1980s. Considerable change occurred between 2000 and 2006 as a result of Directive 2002/14/EC, though the transposition of the directive has not yet been fully completed in all Member States and effective coverage is yet unclear in many Member States (European Commission 2008, Eurofound, 2008a). Notwithstanding uncertainties due to the sample size of the survey data used, Chapter 3 of the *Industrial Relations in Europe 2006 report* provides data on coverage.

It should be added that the numbers shown in Tables 1.1 and 1.2 do not say much about the effectiveness of worker consultation and information in firms, let alone co-determination rights. For a discussion of the modalities of worker

consultation and information in firms see also *Industrial Relations in Europe 2006 report*, Chapter 3.

Pillar 4: Routine participation of unions in tripartite policy arrangements

Routine involvement of the social partners, and of unions in particular, in consultation over social and economic policies, and in the implementation of these policies, is a core element of the social dialogue at all levels: in the firm (see pillar 3), in the Member States and at EU level (see next section), both in sectors and at the cross-sectoral level. This routine involvement can come in different forms: it may be guaranteed by state or EU law (as in Articles 136 to 139 of the Treaty), be embodied in councils or tripartite advisory bodies or Committees that regularly meet and discuss government policy which exist in many Member States and at EU level, or it may be more informal, although more than just an ad-hoc affair only convened in times of crisis and necessity. The Austrian social partnership based on informal yet regular participation of social partners in social and economic decision-making is a case in point (Guger, 1998). Routine participation requires a degree of institutionalisation, that is, the established and validated expectation and belief of all participants that they will be consulted over policy decisions and that their views will be taken into consideration. Such beliefs and expectations may be anchored in a law or formal agreement, but they may also be based on custom and practice. The point is that when beliefs are invalidated and expectations not honoured, for instance when governments take decisions without consulting the social partners, it stirs a major upheaval, as was the case when, for instance, the Austrian government decided in 2000



and again in 2003 to change the pension system without serious negotiations with the unions.

Where there is routine participation, a score of '2' is assigned; where participation sometimes takes place, or is dependent on the government of the day or the stance of the social partners, score '1' is attributed; where there is never consultation the score is '0'.

Consultation over social and economic policy through the routine involvement of the social partners — an essential part of the social dialogue — is practiced in nearly all EU Member States, though not always on a regular basis. The current exceptions, with only ad hoc consultations, are found in the UK and many of the new Member States. Since the mid-1990s and again after 2004 the variation between Member States has decreased.

The conclusion of a social pact between the social partners, or one of them, and the government, with reciprocal commitments and promises, is another more stringent measure of involvement. Social pacts tend to be specific responses to crises or emergency situations, or in any case historically specific attempts to ensure the cooperation of all relevant social actors for the purpose of attaining specific targets, like EU membership, participation in the EMU or the Lisbon Strategy objectives, though in some cases these pacts may institutionalise into a repeated pattern or experience and blend with routine involvement of governments in wage policy and the social partners in government decision-making over social and economic issues. The most prominent example is Ireland, where seven multiannual pacts have been signed since 1987.

Social pacting is an experience that began in the 1970s and has remained ever since, now applying to a quarter — in

the previous period to one third — of the EU Member States (Table 1.1). However, variation across EU Member States was, and is, massive (Table 1.2). There are some Member States in which there are many social pacts; and many other Member States where there is just one or none. In this respect, there appears to be little convergence.

First interim conclusion

For some of the elements of importance for industrial relations and social dialogue — union organisation or density; coordination of bargaining; employee representation in firms or establishments; involvement in consultation over social and economic policies on a regular basis — the experience since the mid-1980s points to a mildly convergent development or, at any rate, a halting of the sharply divergent trends of the 1970s and early 1980s. This development is visible in spite of subsequent enlargements, although the latest and largest enlargements, in terms of Member States added, have tended to add to diversity. This conclusion suggests an influence from (preparing for) participation in the EU, although other developments (similar pressures based on globalisation or domestic political, social or economic changes) may also play a role. However, the comparison with the 1970s, when industrial relations responded with widely divergent policies to similar pressures, is striking. The fact that EU social policies gained more bite after the mid-1980s as we show below, may also have enhanced the increased commonality. This development is, however, not visible in one area where the EU level is least influential: the organisation of trade unions and employers' associations, and the organisation and coverage of collective bargaining. It is exactly in these indicators, and in the experiences of social pacts, that we see the largest and still widening divergence.

The Europeanisation of industrial relations

The possibility of creating an EU-level industrial relations system has been described in various ways. Hyman (2001) groups these views into three approaches. One of them sees the EU as a 'vehicle of social regulation of the internationalising labour market' (Hyman, 2001:290; see Falkner, 1998). As supporters of this view argue, in recent years a European industrial relations system has been emerging, which is evidenced by existence of EU-level actors like the ETUC or BUSINESSEUROPE, who produce EU-level rules promoting high social standards. A second, contrasting view, argues that European integration has been, as a matter of fact, 'a process of economic liberalisation by international means' (Streeck, 1998:429). Its main goal has been to raise the competitiveness of European companies in the globalising world economy and to create a common market able to face the challenge of the American and later the Asian markets. Advocates of this interpretation of the European project claim that industrial relations at EU level is 'a matter of form rather than substance' (Hyman, 2001:290; see Streeck, 1998; Streeck and Schmitter, 1992). A third approach adopts a Euro-realist perspective which, on the one hand, does not downplay the obstacles to building a supranational industrial relations arrangement but, on the other hand, recognises the achievements of the EU in constructing the 'social dimension' of the European integration process and the potential for further development.

This chapter builds on the third approach and argues that Europeanisation is both a mechanism promoting market-building and a means to counter its negative effects by promoting social regulation. On the one hand, it is obvious that national systems

have to strengthen their responses to new competitive conditions, often by reconfiguring national welfare and labour market institutions and policies, in order to face global competitive pressures but also to comply with the market-building agenda of the EU. Within a liberalising European market, 'established forms of national cross-company standardisation of which the sectoral collective agreement has been the principal instrument' are under pressure, perhaps even threatened (Hyman, 2001:288). More freedom for multinational companies in selecting locations for production based on comparative advantages in labour costs between Member States as well as free movement of labour have posed challenges to the traditional industrial relations institutions. On the other hand, Member States have to adopt the growing social *aquis* to ensure participation of social partners, information and consultation of employees, to conform to health and safety requirements and anti-discrimination law and policies. These contrasting effects of Europeanisation have been particularly visible during the recent (2004 and 2007) EU enlargements. Upon joining the European Union, the post-socialist central and eastern European countries (CEECs) had to adopt and implement the *acquis communautaire* including its social regulations. The challenge of reconciling market-building with social solidarity has had to be met in the context of an EU understanding of markets and social institutions that was relatively new in the central and eastern European region.

Since the 2000 launching of the Lisbon Strategy with a focus on 'boosting employment, economic reform and social cohesion within the framework of a knowledge-based economy' (Council, 2000) there has been an ongoing debate about the compatibility of its social and economic goals. However, as has been

convincingly claimed by Traxler, 'there is no structural contradiction between the economic and socio-political dimensions of European integration' (2002:7). Indeed, it can be further argued that not only are the social and economic goals pursued within the European integration process compatible, but they may be mutually reinforcing: a particular selection of social policies can be helpful in achieving economic goals and good economic policy is necessary for reaching social goals. On the one hand, as shown by the example of Ireland (Wickham, 2002), implementing EU labour legislation (rights of representation and consultation, the regulation of working conditions, laws against discrimination, etc.) does not have to stand in the way of economic growth. On the other hand, the example of Nordic countries suggests that liberalising market reforms (aimed at raising a country's competitiveness within the globalising economy) can be successfully combined with a developed welfare state (Sapir, 2005). In the Nordic countries, ambitious labour market reforms drawing on the flexibility approach have kept unemployment down without triggering social exclusion or a major increase in poverty (OECD, 2006; see also Visser and Hemerijck, 1997, for the example of the Netherlands). They have been accompanied by family-friendly policies and decentralisation of education and healthcare systems (Giddens, 2007; see also Palme, 2005). Crucially, the quality of industrial relations has proved to be of major importance in achieving the two — economic and social — goals. Not only have the reforms in Nordic countries left space for involvement of social partners, but constructive cooperation of employees and unions has been fundamental for these positive outcomes.

In broader terms, the positive impact of cooperative industrial relations on labour market perform-

ance has been defended, inter alia, by Freeman and Medoff (1984). Empirical evidence supporting this argument has been discussed, for example, by Blanchard and Philippon (2004) who, based on a sample of industrial European countries, found that cooperative industrial relations played an important role in alleviating unemployment rates, while 'countries with worse [conflictual] labour relations have experienced higher and longer-lasting unemployment' (2004:2). This has been corroborated by Feldman on a larger sample of industrial, developing and transition countries (2008). Feldman's conclusion is that cooperative industrial relations 'have a noticeable pay-off in terms of lower unemployment', both 'among the total labour force, and among women and youths' (Feldman, 2008:201).

The place of industrial relations in the EU economic and social governance

For decades after the inception of the European integration project, the capacity of the Community to build an EU-level industrial relations arrangement remained limited. Among the reasons, Marginson and Sisson list 'the economic focus of the political project which led to its creation and enlargement; the narrow scope of its competence in the field of industrial relations enshrined in the Treaty of Rome and subsequent revisions [...]; the requirement to secure unanimity in the Council of Ministers for matters other than health and safety and the working environment [...]; and the weakness of the social partners [...] in relation to their constituent national affiliates' (1998:513). Nonetheless, industrial relations have occupied an increasingly important place within the EU approach to economic and social policies, and the obstacles mentioned above have been gradually reduced.

The importance of industrial relations across the common market was recognised already in the Treaty of Rome (1957). In Part One ('Principles'), the Treaty expressed the Community's commitments to, *inter alia*, maintaining a high level of social protection for workers. However, Part 3 of the Treaty (the Title on Social Policy) did not contain legal provisions for developing transnational industrial relations. Article 118 limited the Commission's role to promoting 'close collaboration' between Member States in the fields of 'employment; labour law and working conditions; vocational training; social security; prevention of occupational accidents and diseases; occupational hygiene; the right of association, and collective bargaining between employers and workers'. And while Article 119 was explicit in formulating the 'equal pay for equal work for men and women' principle, it was only implemented years later (the 1975 and 1976 gender equality directives). Other legislation adopted by the end of the 1970s, apart from measures facilitating the free movement of workers, had included directives on the procedures regarding collective redundancies, and the protection of workers' acquired rights in case of a transfer of the undertaking to another owner (Threlfall, 2006).

The policymaking in the social area including industrial relations intensified in mid-1980s thanks to the vision of 'a greater social dimension to the European integration project' proposed by Commission President Jacques Delors (Threlfall, 2007). This approach 'legitimated and provided fresh impetus to the introduction of EU measures in the industrial relations field' in the following years (Marginson and Sisson, 1998:513; see Hall, 1994). As a result, EEC guiding social principles were embodied in the Community Charter of Fundamental Social Rights for Workers adopted in the form of declaration by all Member States in 1989 (with the exception of the United Kingdom).

In that period, the social dialogue between social partners on the Community level received recognition from the Commission, first in the White Paper on completing the internal market (1985) and later in a working paper entitled 'Social dimension of the internal market' (1988). The latter document stressed that 'dialogue between labour and management has an absolutely essential role to play in building Europe' (European Commission, 1988:32). Formal recognition of the European social dialogue, and of the Commission's role in promoting it, came with the 1986 Single European Act, through Article 118b.

In the discussions that accompanied the preparation of the 1989 Charter of Fundamental Social Rights and the Treaty of Maastricht (1991) 'social dialogue was considered important first as an institution-building process necessary as a precursor to any European industrial relations system, and second as a potential joint regulatory procedure alongside other more centralised and legalistic forms' (Gold et al., 2007:9). These functions were provided for by the Social Policy Agreement appended to the Social Protocol annexed to the Treaty of Maastricht. The Social Policy Protocol extended the use of qualified majority voting to cover a broader area of employment and industrial relations issues. Further, it provided for agreements concluded between the social partners to acquire the force of legislation. This was a 'procedural breakthrough' (Leibfried, 2005) in terms of an alternative means of introducing EU-level regulation by allowing the European social partners to act independently of the Council and the European Parliament.

In the mid-1990s, a piece of legislation contributing to an emergence of transnational industrial relations in the EU was the 1994 European Works Council Directive. The 2002 Infor-

mation and Consultation Directive has further extended this procedure into national forums by establishing a general framework for informing and consulting employees in firms employing at least 50 employees⁴).

The 1997 Intergovernmental Conference and the Treaty of Amsterdam brought into the focus the issue of the failing European labour market. The Treaty specified, in Articles 125-130, that the Member States and the Community were required to work towards developing 'a coordinated strategy for employment'. Later that year, the European Employment Strategy was inaugurated, based on an agreement of Member States to coordinate their employment policies through relying on common guidelines, indicators, decentralisation, evaluation and mutual learning. This procedure for implementing the European Employment Strategy is known as the Open Method of Coordination.

The 1997 Intergovernmental Conference resulted in an agreement to include the Charter of Fundamental Social Rights into the Treaty of Amsterdam. The Social Policy Agreement was incorporated into the Treaty as the current Articles 136 to 139, which enhanced the role of European social partners (the European federations of trade unions and employers) as 'potential co-legislators in the social policy domain' (Visser, 2007b:62). These changes have given the 'social dimension' a 'much needed treaty-based legitimacy' (Marginson and Sisson, 1998:514).

The historical account of the incremental developments in industrial relations at the EU level suggests that the constraints to building a supra-national set of industrial relations

⁴ Article 17 of the Community Charter of Fundamental Social Rights of Workers provided for a right of information, consultation and participation of workers 'taking account of the practices in force in different Member States', but this clause was non-binding.

arrangements listed at the beginning of the section have been gradually softening. The economic focus of the European integration project has been, especially since the mid-1980s, paralleled by the development of the 'social dimension'; qualified majority voting has been extended to cover a growing area of employment and industrial relations matters; the position of the social partners at the EU level has been enhanced thanks to their gradual inclusion in the legislative process; finally, while the Member States remain unwilling to compromise their sovereignty over social policy areas (Borrás and Jacobsson, 2004), the unspecified resistance and specific blocking powers (Wallace, 2005:61, cited in Threlfall, 2007:281) have been partially overcome.

This has been possible thanks to a specific approach: as the use of Community legislation in the field of industrial relations has been limited, it has been complemented by other methods and routes which after Threlfall (2006; 2007) can be called 'procedural innovations,' like stipulating charters on principles and values; annexing agreements to treaties; enabling social partners to influence and take decisions on social policy at the EU level; fostering benchmarking, learning and cooperation between Member States.

This approach has resulted in a mixture of hard (legally binding) and soft (non-legally binding) measures that add up to emerging EU-level industrial relations. As a result, during the five decades of the existence of the Communities, unique features of EU-level industrial relations arrangements have been constructed, consisting of common values and principles; institutions; procedures and policies. Below, we enumerate and briefly discuss the most important characteristics of European industrial relations.

Charter of Fundamental Rights of the European Union

After 20 years, the Charter of Fundamental Rights has received recognition with a legally binding reference included in the body of the Treaty of Lisbon, which is currently awaiting ratification by the Member States⁵. The charter has been recognised by the Court of Justice of the European Communities as part of the general principles of Community law. The seven chapters of the Charter, covering fundamental rights relating to dignity, liberty, equality, solidarity, citizenship and justice, are an expression of principles and values endorsed by the EU Member States. In the charter, social and economic rights receive the same status as civil and political rights, which arguably is a groundbreaking development in terms of defining fundamental rights, not only within the EU but worldwide. Also, based on the charter's provisions, the EU institutions are expected to promote a European social model. Of particular importance in promoting EU-level industrial relations are the provisions on the protection of personal data (Article 8), freedom of association (Article 12), freedom to choose an occupation and right to engage in work (Article 15), non-discrimination (Article 21), equality between women and men (Article 23), workers' right to information and consultation within the undertaking (Article 27), right of collective bargaining and collective action (Article 28), protection in the event of unjustified dismissal (Article 30), fair and just working conditions (Article 31), prohibition of child labour and protection of young people at work (Article 32) and reconciliation of family and professional life (Article 33).

⁵ Poland and the UK demanded and obtained the assurance that this reference would not affect national labour laws.

European social dialogue and European social partners

In 2002, the Barcelona European Council stated that the European social model is about good economic performance, a high level of social protection, and social dialogue. Collective bargaining between unions and employers, information and consultation of employees in firms and employing organisations, consultation of unions and employers on social and economic policies or negotiations between them and with the public authorities are all manifestations of the social dialogue. Social dialogue can then be defined as societal and institutional (legal and political) support for the routine consultation of employers (organisations) and trade unions on matters of social and economic policy, combined with structured contractual and non-contractual relations between employers (organisations) and trade unions. As mentioned before, social dialogue appears to be a distinctive feature of industrial relations in the European Union; in the Commission's words, it is 'rooted in the history of the European continent' (European Commission, 2002a:7) (for a contrasting view, see Schroeder and Weinert, 2004). The European social dialogue, as provided for under Articles 138 and 139, can then be seen as a unique feature of EU-level industrial relations, distinguishing it from weaker arrangements in other regional integration endeavours (*infra*).

The European social dialogue contributes to enhancement of social goals at the EU level and to the convergence of Member States' industrial relations regimes with different modes of social regulation. The impact of the European social dialogue is visible in the form of regulation produced on the basis of agreements (at cross-industry or sectoral level) establishing minimum standards. Article 139(2) provides for two implementation routes of agree-

ments signed by the European social partners: implementation 'according to the procedures and practices specific to management and labour and the Member States and ratification by a decision of the Council of Ministers (directives). Intersectoral framework agreements implemented by means of directives cover the issues of parental leave (1995), part-time work (1997), working time in sea transport (1998), fixed-term contracts (1999), mobile workers in civil aviation (2000), and working conditions of mobile workers in cross-border services (2004). The outcomes of the 'autonomous agreements' include the European framework agreement on telework of 2002, one on work-related stress of 2004, and another on violence and harassment in the workplace of 2007 (see Chapter 4).

Crucially, the intensifying interaction of European social partners and social partners from Member States within the European social dialogue fosters their socialisation (defined as 'a process of inducting actors into the norms and rules of a given community; its outcome is sustained compliance based on the internalisation of these new norms', Checkel, 2005:804). This process is of particular importance for the social partners from the EU-12. Lessons drawn from such cooperation enhance their position in the national setting (see Visser and Ramos Martín, 2008). European social dialogue seems then to be also a means for 'horizontal' Europeanisation both for policies and mechanics of change (European Commission, 2004).

The very existence of European social partners, an obvious *sine qua non* for the European social dialogue to take place, is also a unique feature of EU level industrial relations. In its communication of 1993, the Commission specified the criteria (later formalised in a Decision of 1998) according to which European social partners are

recognised. Organisations of management and labour should 'be cross-industry or relate to specific sectors or categories and be organised at European level; consist of organisations, which are themselves an integral and recognised part of Member State social partner structures [...]; have adequate structures to ensure their effective participation in the consultation process' (European Commission, 1993:5). Eighty-one such organisations have been recognised. The cross-industry European social partners are BUSINESS EUROPE (formerly UNICE) representing European employers in the private sector, the European organisation of employers in the public sector (CEEP), the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) and the European Trade Union Confederation (ETUC). They are involved in tripartite concertation at the EU level and have signed European cross-industry agreements (see Box 1.6).

European Works Councils

The existence of a workplace employee representation and participation structure (based on law or collective agreements) is a distinctive feature of European industrial relations (Eurofound, 2005). European Works Councils (EWCs) are a specifically EU-level development deriving from a regulatory initiative of the Commission, but also from pressures by European multinational companies in the context of 'increasingly integrated production systems across Europe' (Marginson, 2000:10), as well as counter-pressures from trade unions across Member States. While formally designed as employee information and consultation structures, the EWCs appear to have offered trade unions in EU Member States 'a new platform for cross-border information exchange and cooperation' (Arrowsmith and

Marginson, 2006:246, see also Box 1.4 'Transnational collective bargaining in Europe'). The EWCs have also offered opportunities to trade union representatives in new Member States to enhance their practical experience in exchanging cross-country information and negotiating with management (Eurofound, 2006).

EWCs can be seen as extensions of national systems of workplace representation (Streeck, 1997). However, other authors — based on empirical analysis of the provisions establishing EWCs and their functioning — find that while 'traces of the national systems in which a given multinational corporation is headquartered are undeniable, EWCs 'represent an intersection of country-specific and transnational influences' and are evolving into organisations whose behaviour and practice are 'transnational or European in nature' (Marginson, 2000:29–30).

Transnational coordination of collective bargaining

In recent decades, the internationalisation of the global economy in general and, in particular, the 'ever closer integration of markets for products and services, capital (including the "market" for production locations) and — especially since the EU's 2004 and 2007 eastern enlargements — labour' (Marginson, 2008) have considerably changed the conditions for collective bargaining in Europe. Increasingly, the so-far nationally bounded context has been acquiring transnational interdependencies.

Since the early 1990s, institutional developments within the EU industrial relations arrangement have enhanced intra-European transnational coordination of collective bargaining. The agreements stipulated through the European social

Box 1.4: Transnational collective bargaining in Europe

Two forms of transnational collective bargaining have progressively emerged over recent years. Both forms implicate European works councils (EWCs), in a manner which de facto extends their remit beyond the provision of transnational employee information and consultation as specified in the 1994 EWCs Directive.

The first form is implicit and takes the form of cross-border exchange of data relevant to national and local bargaining, by either employers or trade unions, with the aim of setting the context for negotiations. Such activity may result in coordination of bargaining agenda and outcomes across different national and local negotiations.

There is a striking asymmetry in the predominant level of employer and trade union 'context setting' and coordination activity, respectively. Amongst employers, the primary focus of activity is the company level, through management systems in multinational companies (MNCs) which systematically monitor workforce costs, flexibility and performance in local operations, enabling management to compare these across borders and deploy the results in local and national negotiations. The use of such 'coercive comparisons' to secure common outcomes in a linked series of local negotiations within an MNC is well documented. Recent evidence from the automotive sector indicates that some EWCs have been mobilised by either management or trade union and employee representatives for context-setting activity purposes in local negotiations. For trade unions, the primary focus of activity is at sector level, through cross-border bargaining cooperation initiatives. These have been instigated by a number of European industry federations (EIFs), notably the European Metalworkers Federation, and also under bilateral and multilateral arrangements between national unions in some cross-national regions within the EU. They aim to share bargaining information across borders, coordinate bargaining objectives and monitor outcomes, although in practice coordination of key outcomes such as wage increases is yet to be realised.

The second is 'explicit' and involves transnational negotiations between the management of MNCs and workforce representatives, either international trade union federations and/or EWCs, which result in the adoption of joint texts and non-binding framework agreements of varying degrees of regulatory 'hardness' or 'softness'. Such agreements have been concluded in a small, but growing, number of MNCs, and involve two main developments. Those concluded by EWCs are specifically European in scope. By late 2007 these were estimated at over 70 concluded with 40 MNCs, figures which have increased from 17 agreements in just nine MNCs in 2001. These EWC agreements address a range of topics, amongst which four themes are prominent: corporate social responsibility, including core labour standards; elaboration of key principles underpinning company employment policies;

business restructuring and its effects; and specific aspects of company policy, such as health and safety or data protection.

'International framework agreements' (IFAs) are global in scope, concluded with MNCs by international trade union organisations, most commonly global union federations (GUFs), sometimes in conjunction with national trade unions from the 'parent' country. IFAs address core labour standards, and tend also to cover the supply chain as well as the MNC's operations. Some 65 had been concluded by mid-2007, almost all since 2000. Although global in their reach, the great majority have been concluded with European-based multinationals, possibly signifying greater familiarity with company-based social dialogue and therefore greater preparedness to engage in social dialogue at a global level.

The main negotiating agent on the employee-side differs between these two main types of transnational agreement. Yet, the two forms, and therefore their employee-side signatories, intersect. One in four IFAs have been co-signed by EWCs, and in several others EWCs are accorded a role in their implementation. Conversely some, but not all, EWC agreements are co-signed by EIFs and/or national trade unions: recent prominent examples include those at Schneider Electric (EMF) and Suez (EPSU and relevant French trade unions).

Whether EWC agreements are intended to be mandatory in their implementation for the signatory parties, and for management and employee representatives within company operations across Europe, varies considerably. At the softest end of the possible regulatory spectrum are agreements which elaborate general principles of a company's personnel policy, but which do not envisage or require any specific actions. Examples include the charters adopted at Suez and Vivendi. Somewhat harder in their regulatory nature are agreements which commit the signatory parties to specific actions, such as the establishment of a health and safety observatory at ENI, but do not invoke action by local management and employee representatives. A degree harder also are framework agreements which establish a set of general principles on a specific issue, and incite — but do not require — follow-up action by management and employee representatives at lower levels of the MNC. Examples include Danone's agreement on training. Harder still in their regulatory nature, and coming closest to the status of the provisions laid down in national and local company agreements, are obligatory frameworks which require actions by the parties at lower levels within the company, but where national and local-level practice in implementation can vary. The principal instances are the agreements on specific restructuring decisions at major automotive manufacturers such as Ford Europe and GM Europe.

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dialogue 'have paved the way for further negotiations on matters of social and employment policy at multisector level'; further, the establishment of the European works councils 'has given a direct impetus to collective negotiation between manage-

ment and labour' in European multinationals (Marginson and Sisson, 1998:505–506). It is too early to give a definitive judgment on the influence of EWCs on actual outcomes. Some contend that EWCs as a means of coordinating union positions in

different countries have been ineffective (Hancké, 2000). Others, however (Lecher et al., 2001; Marginson et al., 2004; Arrowsmith and Marginson, 2006), have presented evidence that EWCs may facilitate transnational bargaining (see Box 1.4).

Macroeconomic Dialogue

Established during the German Presidency in 1999, the Macroeconomic Dialogue provides a high level forum for the exchange of views between the representatives of the Council (or more precisely: the troika of the current, subsequent and previous presidencies), the Commission, the European Central Bank and the European social partners. The dialogue is based on the principle that key macroeconomic policy stakeholders and decision-makers and those responsible for wage formation (management and labour organisations) should have a proper understanding of each other's positions and constraints in carrying out their respective responsibilities. Against that background, its purpose is to improve the interaction between wage developments and monetary and fiscal policies. In the Council's view, it is 'an effective way to approach implementing the growth- and stability-oriented macroeconomic policy forming part of the broad economic policy guidelines as pursued by the Member States and the Community' (Council, 1999). Like the European social dialogue, it is a unique structure, specific to the EU industrial relations arrangement. Unlike the European social dialogue, however, the Macroeconomic Dialogue produces no binding results, no binding conclusions and no joint 'target-setting'.

While the ETUC has proposed to strengthen the Macroeconomic Dialogue and to create 'a European framework formula for collective bargaining' (Eurofound, 2007c), the European Central Bank's interpretation of the macroeconomic dialogue role is that of 'a forum within which the various policy actors could be kept informed of developments in other relevant policy areas' (ECB, 2000:90) and not a coordination institution. In theory, the Macroeconomic Dialogue could provide a forum for synchronis-

ing wage policy with monetary policy (the European social dialogue cannot play this role, as the Social Protocol annexed to the Treaty of Maastricht explicitly excluded wages from its dealings). The views of the ETUC and BUSINESSEUROPE on the Macroeconomic Dialogue, are set out in the article on p. 99.

European Employment Strategy

The European Employment Strategy (EES), launched in 1997 and reformed a number of times since, is one of the key elements of the Lisbon strategy. The Employment Chapter of the Treaty of Amsterdam which institutionalises the EES is based on the idea of shared responsibility of national governments and EU institutions in obtaining particular results in the EU labour market (Kilpatrick, 2006). To facilitate the implementation of this idea, the EU 'employment policy toolkit' has been expanded to include the Open Method of Coordination, aiming 'to unleash the EU's social dimension from the constraints of the Community method' (Borrás and Jacobsson, 2004:186). Indeed, some see the OMC as the most significant innovation in labour market governance on the EU level (Zeitlin, 2003).

The European Employment Strategy stipulates the involvement of social partners. Here, there is still need for enhancement of the social partners' role, as stressed both by the Commission and the Council, because experience suggests that consultation rather than participation through partnership is the rule in almost all Member States (European Commission, 2002b; Council, 2005). (On the involvement of social partners in OMC see also Gold et al., 2007). Chapter 2 of this report analyses further the contribution of the social partners to the Lisbon agenda.

Second interim conclusion

The above list of institutions and processes is a testimony to the emergence of an EU-level industrial relations arrangement, although the outcomes are still modest in terms of the effectiveness of the transnational institutions. In terms of the four pillars supporting the core European industrial relations arrangements at the national level, as discussed in the first section of this chapter, they appear to be developing also on the EU level. As for the first pillar, it is true that the ETUC's strength is limited as the federation continues to be characterised by a very low degree of centralisation, with very limited resources and power to direct or control its affiliated national and sectoral member organisations. The same is true for BUSINESSEUROPE, UEAPME, and CEEP as their capacity to direct member organisations is even more restricted and sectoral organisations at the European level are not integrated (Streeck and Visser, 2006). Secondly, a transnational dimension to collective bargaining has been emerging over recent decades, fostered by EU-promoted processes and institutions. Thirdly, since the adoption of the 1994 EWCs directive, the practice of informing and consulting the workforce in transnational contexts has been steadily advancing, involving a growing number of European multinational companies. Finally, the European social dialogue — despite its shortcomings — has become a defining characteristic of EU-level industrial relations, as it allows for the participation of social partners in supranational tripartite policy arrangements.

The European Union compared to other regions in the world

When it comes to its social model, labour rights and industrial relations arrangements, the European Union (EU) is usually compared with other major industrialised countries. For example,

since 2000 the European Foundation for the Improvement of Living and Working Conditions (Eurofound) has published annual surveys of industrial relations in the EU, Japan and the USA, with recently some references to developments in China and India (6). The most common comparative perspective on the European social model or models confronts the EU and the USA. In these accounts the EU usually compares positively with the USA from the point of view of employee rights and social cohesion (Wickham, 2002) (7), and rather negatively from the point of view of economic growth, flexibility and innovation (Alesina and Gavazzi, 2006). Other accounts stress the EU internal diversity and admit that there are combinations of social and economic policies and institutions within Europe that do as well as or better than the USA on efficiency and equity (OECD, 2006; Sapir, 2005). There is something incorrect, however, in comparing the EU with Japan, the USA, or other states in the global economy. These are different units of analysis. Japan is a unitary state, like France; the USA is a federal state, like Germany or Belgium. The EU, in contrast, is neither a state nor a federation, but a regional organisation based on intergovernmental cooperation combined with state-like features as well as a common social foundation ('union'). A more proper comparison, therefore, would be between the EU and other regional organisations, like those between trading partners in North America or South America (NAFTA and Mercosur respectively), in western Africa (Ecowas) or southern Africa (SADC) or in south-east Asia (ASEAN).

6 Published online as part of the European Industrial Relations Observatory (<http://www.eurofound.eu>). In July 2008 the European Foundation published its seventh report in the series, comparing developments in the EU with Brazil, China, Japan and the USA (European Foundation, 2008b).

7 The simplest difference between the USA and Europe is that we have welfare states and they don't, J. Wickham (2002).

Box 1.5: Traditional vs interregional approach

There are methodological problems with both approaches presented in this chapter. For the traditional approach, comparing the main features of industrial relations arrangements and social dialogue in the EU, Japan and the USA, it would have been desirable to include China, India or Brazil, but comparable information is missing on nearly all indicators. The data shown here relate to (the average of) 2004–06 and consider the EU before (EU-15) and after (EU-27) the two recent enlargements. It is based on the ICTWSS database, completed with information from the annual surveys of Eurofound, which offer a very useful comparison between these three global actors on key economic, political and legislative developments; social partner developments; the main collective bargaining issues, coverage and coordination, as well as major events and trends in industrial conflict (Eurofound, 2008b). On most aspects these surveys actually illustrate developments in the EU by referring to what happens in Member States, clearly demonstrating how difficult it is to speak of **European** industrial relations proper.

Secondly, when comparing the EU industrial relations and social policy institutions with those in other global regions, the main problem is the lack of complete data. Data on labour market institutions are typically collected and aggregated at the national level. For the purpose of aggregation of these data to the level of world regions or regional organisations, the relevant statistics should not only be comparable but also reasonably complete. This is now the case in the EU (albeit with many missing values and doubts about the reliability of data for some of the recently acceded Member States) and in the OECD (including its non-EU members, though sometimes with missing values for Mexico and Turkey). There are efforts on the part of the ILO and World Bank to establish similar data collections on 'decent work indicators' and industrial relations in other world regions, but the results are far from complete. On trade unions and collective bargaining, for instance, the information is scattered (ILO, 1997; Visser, 2003). Because of these limitations, the interregional comparison presented here is based on qualitative information on a small number of key features of industrial relations and social policy.

Apart from methodological considerations, interregional comparison is also justified by the increasing relevance of the interregional dimension in the global economy. Most international trade in goods and services, and the largest flows in labour migration, happen within world regions. Within international organisations like the WTO or ILO the position of regional groups has been gaining importance. Interregional negotiations represent the most distinctive features of the EU external trade policy. (The EU common commercial policy entitles the Commission to negotiate on behalf of the 27 Member States.) Apart from the framework of the WTO (of which the EU has been member and one of the key players since its creation in 1995), the EU conducts trade negotiations with other regional groups like NAFTA, Mercosur or SADC. Usually, the goal of these negotiations is to strengthen interregional

arrangements through association, cooperation and partnership agreements, in which promotion of social policies and labour rights features as an important element of the EU policy, as specified in the 2004 Commission communication on the 'Social dimension of globalisation'. First the main features of industrial relations arrangements and social dialogue in three of the main global players — the EU, Japan and the USA — will be compared following the traditional approach. Subsequently, the EU industrial relations and social policy institutions will be compared with those in other global regions (see Box 1.5 for methodological remarks).

Industrial relations and social dialogue in the EU, Japan and the USA

Workers in the EU are on average twice as likely to be a member of a

Table 1.3 Weighted arithmetic means EU, Japan and the USA, 2004–06

Indicators		EU-15	NMS	EU-27	Japan	USA
Pillars						
I	Union density (%)	25.8	22.0	24.4	18.8	11.8
	Union centralisation (0–1)	0.414	0.303	0.369	0.226	0.305
II	Sectoral bargaining (0–2)	1.3	0.9	1.2	0.0	0.0
	Bargaining coverage (%)	68.8	42.5	62.5	16.8	13.8
	Wage coordination (1–5)	3.1	2.3	2.8	3.0	1.0
III	Works councils (0–2)	1.7	0.8	1.5	0.0	0.0
IV	Consultation (0–2)	1.0	0.7	0.9	0.0	0.0
	Social pacts (% share MS)	19.6	11.0	16.7	0.0	0.0

Source: ICTWSS database.

trade union compared with US workers, and about 1.5 times as likely as Japanese workers. They are, moreover, represented by unions and federations which, on average, tend to be more centralised than their Japanese and American counterparts.

Table 1.3 compares the industrial relations features of the EU, Japan and the USA for three 'aggregations' of the European Union: the current size of 27 Member States (EU-27), the pre-2004 size of 15 Member States (EU-15) and the 12 Member States that acceded in 2004 and 2007 (NMS) ⁽⁸⁾. All arithmetic means are weighted by the size of the wage earning population in employment.

Within the EU, union organisations tend to be more fragmented and less centralised in the new Member States, with most unions in the 10 former Communist countries making a sharp break with the monopolistic and centralised situation in their recent past ⁽⁹⁾. After more than a decade of

⁸ Although Bulgaria and Romania acceded in 2007, their data is included in the averages for the EU-27 and EU-12 calculated over the years 2004–06.

⁹ The union movements in the other two new Member States, Cyprus and Malta, inherited many industrial relations features from British rule, with

sharply falling density rates in the post-Communist countries, union membership rates have tended to stabilise just below the EU-15 average (see Chart 1.5).

Comparing unionisation trends in the EU, USA and Japan, one observes rather similar downward trends. Worldwide, trade unions tend to face similar pressures and challenges of industrial and occupational change, unstable employment patterns and contracts, globalisation and restructuring. In the developing countries unions have yet to find an organising response to, and make themselves relevant for, the increasing number of workers in the informal economy (see ILO, 1997; Visser, 2003). In the developed economies of the EU, Japan and the USA, the comparable challenge is to make unions relevant outside the traditional sectors of manufacturing and public administration and services.

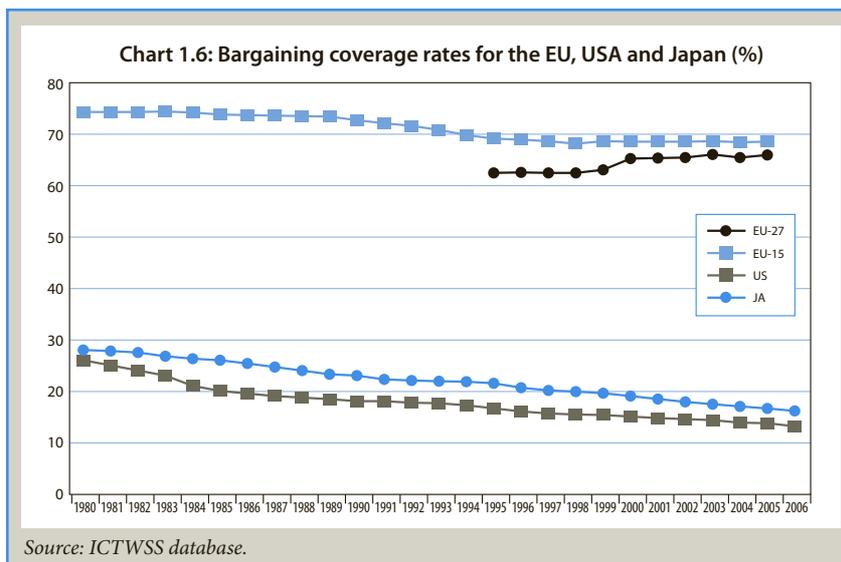
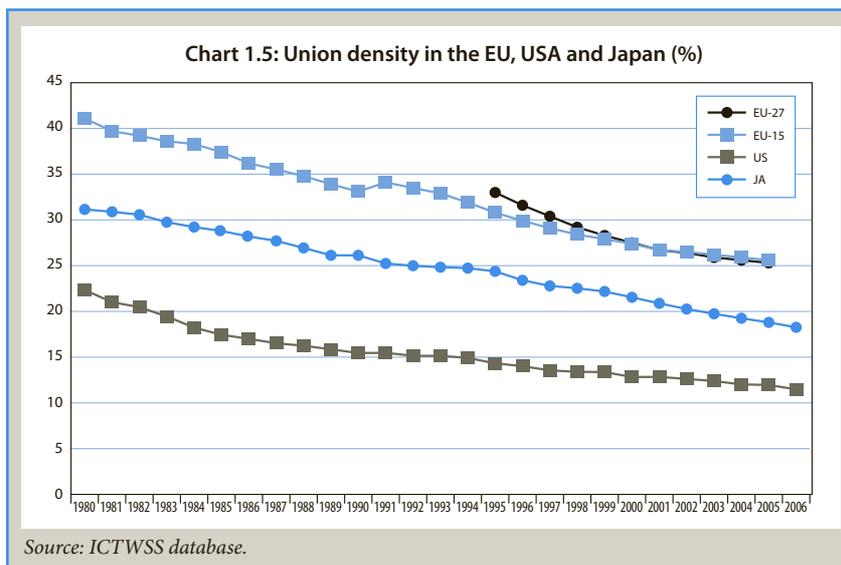
The key difference between the EU, Japan and the USA, however, resides in collective bargaining or union coverage. On average, nearly two out

additional splits on political and ideological grounds. Union density rates have held up well and are far above the EU average.

of three workers in the EU are covered by a collective agreement ⁽¹⁰⁾, compared to nearly one in five in Japan and one in eight in the USA. The average coverage rate in the EU Member States of central and eastern Europe is significantly lower than the EU average and reaches less than half of all employees. The exception is Slovenia where practically all employees are covered by multi-employer agreements negotiated with the unions. The main problems here are the weak organisation of employers, the lack of a mandate to reach multi-employer agreements with unions, and the prevalence of company bargaining, with many (small) firms, areas and sectors left uncovered. (A rather similar situation has prevailed in the UK since the 1990s.)

The difference in trends between unionisation and bargaining coverage is apparent only in the European Union (see Chart 1.6). In Japan and the USA the fall in trade union membership (see Chart 1.5) is tracked by a fall in union coverage; in the EU this is not the case. The main reason is that unions and employers in Europe negotiate above the level of the firm, usually on a sectoral, sometimes on

¹⁰ The variation, by country, sector or company, in the content of these agreements defies a meaningful way of aggregation and comparison across regions, even within the EU. Compared to the USA, collective agreements in Europe are probably less specific on health plans and related issues covered by national and occupational schemes in most European welfare states, but in many sectors and countries in the EU agreements do guarantee sickness pay, provisions for paid leave, pension benefits, dismissal protection or unemployment insurance above the levels guaranteed under universal or occupational schemes guaranteed by the state. In addition, there has been an increase in special provisions ('social plans') guaranteeing workers' job training, placement services or additional insurance, and in some case early retirement, in the case of company restructuring and lay-offs. Furthermore, not all agreements include a pay clause, and many fix only minimum and entry wage rates, leaving other rates to be decided in the company or workplace, individually by management or through joint consultation and bargaining. Finally, the legal effects of agreements and the provisions for including non-union members differ widely across EU Member States. (For an overview of collective labour law in the EU-15: Rebhahn, 2003; 2004.)



a national (cross-sectoral) basis. This allows for the inclusion of a far greater number of employees, for instance those working in small and medium-sized firms who would otherwise be unrepresented.

While powerful business organisations exist in the USA, they do not act as employer organisations, with a mandate to negotiate collective employment agreements for their members (firms) with the unions. All bargaining in the USA happens within companies. Pattern setting disappeared long ago, around the

early 1980s, when it took the form of 'concession bargaining' (Capelli, 1990). In Japan, too, bargaining is conducted at the enterprise level with enterprise unions, and the powerful business federation Nippon Keidanren has no formal role in it. But unlike the USA, pattern bargaining is common in Japan with a strong coordinating role of Nippon Keidanren, but with a weakening influence of trade unions and their annual spring offensive on the results (Nakamura, 2007). BUSINESSEUROPE, the main EU-level organisation for business, does represent its affiliates

in negotiations with the unions and signs 'multi-employer' agreements on non-wage issues.

EU-level employers' organisations do not engage, nor do they have the ambition to engage, in pattern setting with regard to wages (as some of their affiliates do within Member States, for instance in Germany). The union side, represented by the European Trade Union Confederation (ETUC) and its transnational sectoral affiliates, does express this ambition, in order to counter tendencies towards wage competition and stagnating real wages. However, even on a small scale, within a particular sector like metal engineering or between neighbouring states like Germany and Austria, this turns out to be extremely difficult (Traxler et al., 2008). Thus, when comparing the statistics for wage bargaining coordination and the sectoral organisation of bargaining in Table 1.3, we should be aware that these are averages based on the situation in Member States. They tell us that in most EU-15 Member States the sector is the basis for collective bargaining and that unions and/or employers engage in coordination; and that this is much less so in the new Member States, and not at all the case in the USA.

With the implementation of the 2002 Directive on Consultation and Information of Employees almost all EU Member States now have structures in place that guarantee employees, including non-union members, representation within the firm. This is different in Japan and the USA, where there is no law or general agreement guaranteeing employees the right of information and consultation in the firm where they work. Consultation, if it happens at all, is entirely internal to the enterprise union and covers very few firms and employees throughout the economy.

Box 1.6: Unions and employers' organisations in the EU, Japan and the USA

The main union organisation in the USA is the **AFL-CIO**, whose 59 affiliates had a combined membership of 12.5 million in 2005, which at that time equalled 82 % of total union membership in the USA. However, in 2005 the American federation suffered a serious weakening with the formation of a rival organisation. Following disagreement on how to organise non-unionised workplaces and sectors, two of its largest affiliates — the **Service Employees' International Union** and the **International Brotherhood of Teamsters** — broke away. Together with five other unions they founded a new organisation called **Change to Win**, claiming some 6 million members. On its website, AFL-CIO claims a total membership of more than 10 million organised in 56 unions.

In Japan the dominant union confederation **RENGO** claimed as of December 2007 6.8 million members organised in 52 federations, though the real unit of organisation in Japan is the enterprise union, of which there are some 60 000. There are two smaller confederations or peak federations and a considerable number of local unions are unaffiliated. **RENGO's** combined membership accounts for about two-thirds of total union membership in Japan.

The **European Trade Union Confederation** has been successful in uniting nearly all relevant union federations in Europe, even beyond the European Union in its current size. The **ETUC** represents more than 90 % of all organised employees in the EU. In total, the **ETUC** claims 60 million members organised in 82 national federations from 36 European countries. These include, beyond the EU-27, Andorra, Croatia, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland and Turkey. In addition, national union federations from Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia have been given observer status. The **ETUC** also heads 12 European industry federations organised on a transnational basis and incorporates a special European federation for professional and managerial staff (**Eurocadres**) and one for retired and elderly persons (**EFREP**).

In the USA there are many powerful business lobbies but no overarching employers' organisations that could act as a social partner to the unions. Thus the **Business Roundtable**, the **American Chamber of Commerce** and **National Association of Manufacturers** are very active in lobbying Congress and also operate internationally, but they do not coordinate firms or sectors across the USA in matters of wages and employment. This is different in Japan. **Nippon Keidanren**, which can be translated as Japan Business Federation, is a comprehensive organisation representing employers and has a track record in coordinating wage setting across the private sector. The present organisation results from a merger, in 2002, between the Japanese Federation of Economic Organisations (**Keidanren**) and the Japanese Federation of Employers' Associations (**Nikkeiren**). It claims the membership of 1 343 companies, 130 industrial associations and 47 regional economic organisations (as at 22 June 2007).

In the EU the main employers' and business organisation is **BUSINESSEUROPE**, previously the **Union of Business and Employers' Confederations of Europe** (**UNICE**). It combines 36 member organisations from 31 countries, including Croatia, Montenegro, Iceland, Norway and San Marino (but no members from EU Member States Slovenia and Slovakia). Unlike its Japanese counterpart, or the **ETUC** on the side of labour, **BUSINESSEUROPE** has no sectoral affiliates and does not attempt to coordinate wage setting by its member organisations. It does, however, engage in coordinating and monitoring member behaviour on other, non-wage issues (Visser and Ramos Martin, 2008). Two smaller European confederations represent small and medium-sized businesses (**UEAPME**) and businesses of general interest and operating in the public sector (**CEEP**).

It is impossible to make generalising statements with regard to the strength of works councils and employee representation in EU companies. Empirical research shows great variation,

depending on union strength, union-council cooperation, formal rights, management behaviour, etc. In terms of formal rights, guaranteed under legal statute or by collective agreement,

EU employees tend to have a stronger position than their American or Japanese colleagues if it comes to influencing decisions of management, though whether this warrants the crude opposition between 'stakeholder' and 'shareholder' models is dubious.

Finally, most EU Member States do involve the social partners, and trade unions in particular, in consultations over social-economic policies and reforms. In some Member States this is legally anchored in statutes and embodied in tripartite councils with representatives of unions, employers, the government and, in some cases, other interests groups (farmers, social groups, women). The effectiveness of these bodies and of the social dialogue approach in terms of actual influence is a matter of dispute, but clearly the ambition is there, and appears lacking in Japan and the USA (but not in other parts of the world; see the next section).

It is impossible to relate these differences in industrial relations and social dialogue to differences in economic and social performance (see Chapters 2 and 3). Cross-national comparisons including the USA and Japan (and other non-EU OECD countries) tend to show that high coverage rates and coordinated bargaining are associated with lower earnings dispersion and lower poverty rates, that coordinated bargaining is associated with lower unemployment and inflation, and offsets the possible negative influence of union power, that works councils help in adjusting to change and reduce industrial conflict, and that social pacts have helped to adjust to EMU and to overcome resistance to social policy and pension reforms. Whilst such findings may give some confidence to the EU approach to social dialogue, they do relate to industrial relations in Member States rather than at the EU level.

Box 1.7: Some global interregional economic organisations and trade zones

The **North American Free Trade Association** (NAFTA) was ratified in 1993 and implements a free trade zone between Canada, Mexico and the USA, without provisions for labour mobility across borders. The third-largest trading bloc after the EU and NAFTA, the **Mercado Común del Sur** (Mercosur) was founded in 1991 by Argentina, Brazil, Paraguay and Uruguay; Venezuela acceded in 2006; Bolivia, Chile, Mexico and Peru are associated members. Since 2004 efforts to become a 'community of states' have been stepped up and in May 2008, on the initiative of Brazil, 12 countries — Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela — signed the treaty for the creation of the **Union of South-American Nations** (Unasur), which is explicitly modelled on the example of the European Union ⁽¹⁾.

The **Economic Community of West African States** (Ecowas) was founded in 1975 in Lagos (Nigeria) and combines 15 states, i.e. Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The **Southern African Development Community** (SADC) includes Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The **Association of Southeast Asian Nations** (ASEAN) began as a political association between Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, and later expanded to 10 with Cambodia, Laos and Burma/Myanmar. In 1992 ASEAN members decided to implement a free trade area — the ASEAN Free Trade Agreement (AFTA) — in the space of 15 years.

1 'À Brasília, les pays sud-américains font un pas vers l'intégration régionale', *Le Monde*, 25 May 2008.

The interregional comparison

The interregional comparison focuses on social rights and labour regulation, as stepping stones to a 'fairer' globalisation, as suggested by the World Commission on the Social Dimension of Globalisation in its report *A fair globalisation: creating opportunities for all* (ILO, 2004a). Of all the examples of regional integration, the EU is unique in that in addition to an internal market for goods and services it also guarantees the 'free movement of labour', and has numerous supranational institutions, like the Court of Justice of the European Communities and the European Parliament, although many of these features do also exist, at least on paper, in the Economic Community of West African States (Ecowas). Migration of workers, for instance, has been a very important feature in West Africa (Robert, 2004) (see Box 1.7).

Social policies across global regions may differ on three dimensions: re-

distribution, regulation and rights (Deacon 2001). From the point of view of industrial relations, there is a fourth: the institutional pillars of social dialogue, discussed in this chapter.

Redistributive policies require funds to re-allocate resources or come to the rescue of depressed areas or groups. Of the regional organisations, the EU is the only one where a common budget is used for these aims: the EU Structural Funds and the recently launched Globalisation Adjustment Fund for the assistance and retraining of workers adversely hit by global trade. Although modest in size, these funds may be directly relevant for industrial relations, as they may assist workers and firms in disadvantaged areas and support the capacity building of unions and employers (see Chapter 6). Ecowas and the SADC seek the use of development aid funds for this purpose, though nearly all money is channelled through bilateral agreements and programmes with donor countries. The parties to

NAFTA explicitly excluded redistributive policies. ASEAN had, and has, no ambitions in this direction, whereas Mercosur has expressed ambitions in this regard.

Social and labour **regulation** in regional trading blocs is always a contentious issue. Typically, within any regional trading bloc, the countries with more advanced economies and social arrangements, and the labour movements within them, want some harmonisation of employment standards so as to allay fears of 'social dumping' and protect the working and living conditions of their own populations and membership (Burgoon, 2004; Gitterman, 2003). The less advanced countries, with lower productivity and wage levels, tend to fight off such attempts since this would limit their competitive advantage. Alternatively, they ask for compensating redistributive policies. Given these contrasting interests different compromises have been struck, reflecting the different strength and policies of dominating coalitions. Thus, in the EU since the mid-1980s progress with social regulations and common minimum labour standards has taken place alongside the expansion of the Structural Funds.

NAFTA does not provide for harmonised minimum labour and employment standards, but has somewhat strengthened the monitoring and enforcement of existing domestic standards in the three participating countries. The agreement contains one formal clause on regulatory standards, discouraging trade partners from reducing environmental standards or health and safety rules, and one side agreement on labour issues, the North American Agreement on Labour Cooperation (NAALC), in which the three countries promise to improve oversight and enforcement of domestic labour and employment standards, and to participate in a dispute regu-

lation process. NAALC resulted from pressure in the US Congress and from the unions. They advocated minimum standards applied to Mexico, but this was opposed by business and by the Mexican government, which feared that such standards would undermine its competitive cost advantages. Mexican labour pushed instead for a kind of structural fund, the North American Development Fund, but US Congress opposed any redistributive policy. The final result was the creation of a regional body, the Commission for Labour Cooperation (CLC), charged with the task of promoting enforcement of each nation's labour and employment laws. However, each country retains full control to establish, change or increase or, if it so chooses, to lower domestic labour standards; this is different from the EU where lowering standards requires a decision of the Council of Ministers. Furthermore, the CLC, unlike the European Court of Justice, is an informal body and has no jurisdiction in the three partner states.

Under pressure from the trade unions, which cooperate for this purpose, Ministers in Mercosur agreed to promote 'core' labour principles according to national legislation, through collective bargaining and legal statutes. Employers oppose any move towards harmonised minimum standards and no firm conclusion has been reached yet. There is a Social-Labour Commission charged with the task of monitoring standards but its position is weak and it has no authority. Within Mercosur, countries have made a beginning with the recognition of social security entitlements of migrant workers, after the example of the EU Regulation (EC) No 2004/88 (previously (EEC) No 1408/71) regarding the coordination of social security regimes. A start has been made with reciprocal joint health and safety inspections. Agreements have been signed, moreover,

to recognise education credentials, degrees and diplomas across member countries. There are proposals for a regional social fund, and a few regionally funded projects exist in border areas. Technical cooperation has occurred in most social areas.

In Ecowas, some progress has been made in the area of migrant workers, with the adoption of the ILO protocol on the right of residence and establishment for migrant workers. However, in spite of its stated objective of seeking legislative harmonisation, little progress has been made even with regard to creating common minimum standards. The weakness of monitoring structures and of the trade unions, combined with the large size of the informal sector, stand in the way of progress. As a result, migrant workers are often excluded from social security and work-related benefits (Robert, 2004). In the SADC there is an Employment and Labour Sector with the objective of harmonising policies in support of the labour market, regulating labour mobility, and introducing and harmonising social mobility systems (Nauertz, 2002).

The 10 ASEAN Member States have been unwilling to part with any authority in matters of social and labour regulation (Chavez, 2006). Unlike other free trade agreements, the ASEAN Free Trade Agreement does not include any reference to labour regulation, not even as a side agreement. The exclusive focus on inter-governmental decision-making, the choice of consensus and unanimous decisions, non-intervention, sensitivity to political needs of others, personal contacts and preference for minimum institutions, are sometimes stylised as the ASEAN Way (see Serrano et al., 2004). There are no pledges for central monitoring or third-party enforcement mechanisms, and thus far ministers have only agreed to share

information and exchange best practice, mainly on training, manpower and human capital issues. In 2006 ASEAN labour ministers added occupational health and safety; in 2007 they declared the issue of migrant workers a priority area.

When it comes to social and labour **rights**, the Community Charter of Fundamental Social Rights of Workers has served as an important example for other regions, together with the 'Decent Work' programme of the International Labour Organisation (ILO, 2004b). In NAFTA there is a firm commitment to the core labour rights of the ILO but no common charter. The original treaty establishing Mercosur did not address labour rights issues, but starting in 1994 unions have been advocating the adoption of a binding charter of social and employment rights, modelled on the EU. In recent times there is a stronger adhesion to the 'Decent Work' programme of the ILO as well as a commitment by some leaders to social policies and policies combating poverty.

The revision of the Ecowas treaty in 1993 marked the shift from a bureaucratic to a more 'people-centred organisation' and included for the first time a provision for the sharing of information among business men and women, workers and trade unions. A new reference to the African Charter on Human and People's Rights was added together with a commitment to social justice. However, no specific institutional mechanism was created for monitoring these rights and the Court of Justice that does exist cannot hear cases brought to it by individuals and is therefore entirely dependent on states. Probably as a consequence, the Court has seen very little activity (Robert, 2004). In October 2006 the Ministers of Social Affairs met for the first time to establish a 'sustainable social dimension for Ecowas regional

integration programme'. The SADC has a social charter protecting fundamental rights, freedom of association and collective bargaining, health and safety, as well as equality for women, persons with disabilities and older persons. Governments of the SADC have also recently endorsed a first draft of a regional social policy.

The ASEAN+3 summit of 1999, including China, Japan and South Korea, which followed the Asian crisis of 1997, for the first time declared the importance of 'social and human development resources for sustained growth of east Asia by alleviating economic disparities between and within nations'. As a follow-up to the declaration, a Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers was established in July 2007, but concrete policy measures have yet to be decided.

Industrial relations institutions have similar elements to those found in the EU. Based on the position of Brazilian and South African unions, the position of trade unions in Mercosur and SADC is stronger than in NAFTA, Ecowas or ASEAN. Collective bargaining coverage is also higher in southern Africa and South America, at least in the formal economy and in urban areas (ILO, 1997; Visser, 2003). In South America and in eastern and southern Africa there are regional organisations of trade unions, similar to the ETUC, and there are also attempts to involve them in tripartite social dialogue (Nauertz, 2002). However, these regional social partners' organisations are extremely fragile, often lacking even the funding to meet. Such structures and attempts are missing in North America and south-east Asia.

Employers organisations are everywhere even more poorly organised on a regional basis and have even less

Box 1.8: International social partner organisations

At the global level, a significant trade union merger occurred in November 2006 when the International Confederation of Free Trade Unions (IFCTU) and the World Confederation of Labour (WCL), along with eight other national organisations that formerly had no international affiliation, merged to form the International Trade Union Confederation (ITUC). It represents 168 million workers and 311 affiliated organisations from 155 countries. Staying away from the ITUC is the Communist-affiliated World Federation of Trade Unions (WFTU). Social partners also play a role in global governance, in particular in the tripartite International Labour Organisation, which is, however, not the topic of this report. Employers are represented by the International Organisation of Employers (IOE) that consists of 146 national organisations from 139 countries.

of a mandate than the unions. Social partnership structures with Labour Ministers are frequently sidelined by colleagues from other, more powerful ministries, a problem that was also apparent in central and eastern Europe during the transition. Another weakness shared by most regional organisations is the absence of strong supranational governmental institutions, like the Commission or the Parliament in the EU. In South and south-east Asia the dominant industrial relations model is based on enterprise unionism and enterprise bargaining, with limited coverage, as is the case in Canada and the USA (Mexican unions used to be highly integrated in the state and in politics, but reliable information on their actual importance is hard to come by). Union fortunes in western and southern Africa have been extremely volatile depending on politics and civil warfare. Tripartite councils and policy forums with advisory status do exist in Mercosur at the regional level, somewhat similar to the EU. South Africa has since the overturn of apartheid experimented with tripartism, while some countries in Asia, for instance South Korea, have tried to address the aftermath of the Asian crisis with a 'social pact' approach, albeit with limited success (Baccaro and Lin, 2007).

Third interim conclusion

Undoubtedly, the EU represents the most advanced form of regional social

and economic integration. In terms of supranational social policy it can be said that the EU has an embryonic social policy in all the three fields of social redistribution, social regulation and social rights, as well as a relevant set of regional industrial relations institutions and policies. The Structural Funds provide a mechanism whereby resources can be allocated to address economic and social disparities in the EU or be put to the assistance of social partners and workers adversely affected by global trade. There are regulations in the fields of occupational health and safety, health services, equal opportunities, labour law, and social security and pensions schemes, together with social dialogue mechanisms that apply to all countries. In terms of regional social rights the Community Charter of Fundamental Social Rights of Workers was established at an earlier stage.

In the industrial relations domain proper, the EU promotes social partnership and cooperation by setting minimum standards for employee representation in national and border-crossing firms, and by recognising the social partners in a consulting and, in some domains, co-legislating role, even through autonomous agreements. Yet collective bargaining and pay determination — core issues of industrial relations — remain nationally specific. In addition, it should be recognised, as was explained in the first part of this chapter, that the EU coordination regime allows the use of

different implementation instruments, and variable implementation of actual standards, according to national preferences and capabilities (as has been shown in the implementation studies on the six 'labour' directives by Falkner et al., 2005; 2008). Comparing the other regions, Mercosur is probably nearest to the EU in its industrial set up and social policy ambitions. However, other regional organisations, perhaps least NAFTA, seem to be moving in the same direction.

General conclusions

First, the EU is ahead of other world regions in combining the market-building agenda with a social agenda which includes emerging European industrial relations. In other global regions this process has only just begun and the EU is sometimes seen as an example or model for the development of a regional social dialogue.

Second, the emergence of EU-level industrial relations is evidenced by a (growing) number of mutually reinforcing institutions, policies and processes being established at the EU

level and focusing on the social dimension of the market. They are institutionally anchored, and some of them have foundations in the Treaties. These institutions, processes and policies have a special role to play in supporting and supplementing reforms (see Chapter 2) and they have been developing with a growing intensity in the last two decades, together with the process of market building.

Third, while Member States' industrial relations regimes continue to differ in traditions and practices, a limited convergence among EU Member States can be observed. This is particularly true in areas where the EU has been able to advance its regulatory power. The EU adds value by setting minimum social standards at the workplace and beyond, and by providing political and technical 'backup' for national efforts to reform work and welfare.

Fourth, the 2004 and 2007 enlargements have increased the diversity of EU industrial relations. This has been seen as a major threat to the quality of social standards, with social dumping as one of the potential results (Woolf-

son and Sommers, 2006). However, the recent enlargements may also be seen as a further stimulus for convergence towards a European social model. While the immediate result of the recent enlargements is an increased divergence between the industrial relations regimes within the EU, this is accompanied by strengthening of (or in some cases truly developing) the social regulations in the national systems of EU-12 countries that after 1989 tended to exclude them from the political agenda and policies, and upon enlargement had weak labour and employers organisations (Maidland and Due, 2004). The conditionality principle introduced in the accession negotiations (Schimmelfenning, 2007) has also affected fundamental rights and the quality of industrial relations regimes in these countries. The Europeanisation process thus offers prospects for an expansion of social rights and convergence of labour standards across Member States, not for purely economic reasons but for the purpose of making continued market integration politically feasible among states at vastly different stages of development (Visser, 2007b).

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