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# Why trade unions seek to coordinate wages and collective bargaining in the Eurozone: past developments and future prospects

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**Working Paper 2011.03**

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**europaean trade union institute**

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## **Abstract**

In the run-up to European Monetary Union (EMU) trade unions across Europe began to coordinate their bargaining policies transnationally. Once recourse to currency devaluation as a means of enhancing national competitiveness had been ruled out by the creation of the Eurozone, labour costs became an important parameter in adjusting to economic imbalances, such that intensified competitive pressures on wages and working conditions seemed inevitable. By embedding in the broader framework of a European industrial relations system the efforts made by European and national trade unions to coordinate collective bargaining and wage formation at the sectoral and intersectoral levels, this paper provides an overview of such initiatives to date.

The impact of the crisis, and the discussion of new forms of economic policy governance in relation to EMU, have given renewed impetus to the decentralisation of national collective bargaining systems and the adjustment of wage increases to sectoral or regional productivity levels. Meanwhile, success of the trade unions' attempts to achieve transnational coordination of collective bargaining has been limited by a range of institutional, economic and social factors. The paper concludes with a brief discussion of the likely implications for the trade unions' transnational bargaining coordination policies of the plans to further centralise economic policies in the Eurozone.

## Introduction

In this paper, we will present past and still developing attempts by trade unions to coordinate collective bargaining at EU level. The transnational coordination of collective bargaining can be envisaged from various perspectives but it clearly belongs within the process of Europeanisation and of the (uneven) development of a multi-level social and employment polity (Marginson and Sisson 2006a). Our historical starting point will be the creation of the European Monetary Union (EMU) and the requirements for and constraints upon the coordination of collective bargaining entailed by this development. EMU was indisputably a driver for the development of wage coordination at EU level (Crouch 2000; Dølvik 2000; Marginson and Traxler 2005) insofar as it created new incentives for social actors to act together, while at the same time putting pressure on national collective bargaining frameworks because central bankers and economic and finance ministers have typically supported full decentralisation of collective bargaining in order to cope with the specific constraints imposed by EMU (Verdun 1995; Pochet 2002).

The paper is structured as follows. The introduction will present the main arguments pertaining to the links between EMU and wage bargaining, from the ‘optimum currency area’ theory to the latest discussion concerning new forms of economic and social governance. Section 1 outlines the possible forms of transnational coordination of collective bargaining processes that may take place at different levels, our aim being to offer a brief yet comprehensive description of the actors and institutions involved. Section 2 presents trade union initiatives for the transnational coordination of collective bargaining, emphasising the existence of two different patterns of Europeanization. Section 3 analyses the limits to the cross-border coordination of collective bargaining. Finally, we present conclusions.

Economic and monetary union is a continuation of two trends already in evidence back in the 1980s. First, the pursuit of stable exchange rates was an aim of the European Monetary System (EMS) adopted in 1979. Secondly, EMU is part of the ongoing process of economic integration initiated by the Treaty of Rome and reinforced by completion of the internal market and liberalisation of capital flows.

At the same time, however, EMU represented a radical change that served to redefine the European project. The centralisation of monetary policy has not been accompanied by true co-ordination of economic policies or by any real progress towards political union (the fate of the constitutional treaty is a good

example of failure in this latter respect). Accordingly, as soon as it was known which countries would actually participate in EMU, debate at the European and national levels quickly turned to the additional factors deemed necessary or desirable for the smooth functioning of monetary union, such as economic governance, political union, co-ordination of taxation and social security, employment policy, etc. (Fajertag and Pochet 1997 and 2000).

In a monetary union the option of currency devaluation as a means of restoring a country's external competitiveness is forfeited once and for all. Both enforced or competitive devaluations and adjustments to the central rate (2.25% or 5%) – permitted under the previous system – thus became impossible. The Stability and Growth Pact restricts budget deficits to a ceiling rate of 3% of GDP (except in cases of deep recession). Autonomous taxation is restricted by the lack of progress in tax harmonisation (taxation of savings, green taxes, corporate tax, etc.) and this situation led to tax competition.<sup>1</sup> In comparison with the budgets of true federal States, the EU budget is still quite small (around 1.10% of Community GDP), which prevents it from acting as a global stimulus. What is more, the Treaties stipulate that the EU budget has to be balanced. There is no federal social security system and, in particular, no unemployment insurance. Neither is there a centralised instrument to intervene in cases of asymmetric shock resulting from diverging positions in external competitiveness experienced by countries forming part of the Eurozone. Finally, the geographical mobility of workers at both intra-Community and intra-state level is restricted.

Various methods may be used to adapt to individual (asymmetric) shocks. According to the 'theory of optimum currency areas', commonly used to set out the prerequisites for the coherence and functioning of monetary union, the principal factors that help to counter (regional or national) imbalances are geographical mobility, federal solidarity and flexibility of pay and working conditions. The consequences of EMU are usually described by pointing out that migration and federal transfers are unable to play a stabilising role in Europe, comparisons being usually drawn with the adjustment mechanisms in place in the United States, where these two variables absorb most of the initial shock. It is thus generally argued in the literature – mainly, but not exclusively, economic – that social conditions are the most important (if not the sole) adjustment variable for dealing with specific problems. More bluntly, the burden of adjustment to disruptive economic developments within EMU has been shifted to wages.<sup>2</sup> This approach to analysing the consequences of monetary union seems to us excessively deterministic. It ignores the ability of the actors (governments and social partners) to anticipate the likelihood of such consequences and/or to make positive use of monetary union in order to bring about desired changes more quickly. To this end, for example, social pacts were signed during the mid-1990s in many countries as a means of coping with the Maastricht requirements (mainly low inflation rate) (see Fajertag and Pochet 1997 and 2000).

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1. The recently published report 'Taxation in the EU' gives an overview of developments in tax policy (Eurostat 2010).

2. For a review of the literature on this point, see Pochet *et al.* 1998.

Another problem is mounting macro-economic imbalances resulting from de-synchronised business cycles and diverging wage dynamics that led to the 'Euro-crisis' in early 2010. Diverging nominal unit labour costs resulted from – to a considerable extent, albeit not exclusively – a mismatch between wage growth and price and productivity developments, ultimately contributing to the accumulation of macro-economic imbalances in the Eurozone. It is important to stress that wages are only one cause of rising macroeconomic imbalances in the EMU, for differences in international competitiveness are indeed attributable also to a range of other factors, both structural and social (e.g. demographic development).

A new architecture of economic governance is currently under debate, with the aim of ensuring monetary stability by monitoring macroeconomic imbalances (European Commission 2010c). While the procedural design of such a policy framework is still, at the time of writing, in the making, social partner organisations do, according to the 'Europe 2020 integrated guidelines' (European Commission 2010), have a key role to play in this context. A productivity-oriented wage policy pursued by trade unions could indeed steer unit labour cost growth and thus contribute to avoiding imbalances in international competitiveness between member countries (Watt 2011, forthcoming).

The impact of the crisis and the new economic policy governance of EMU, reinforced by the new Europe 2020 strategy<sup>3</sup>, are pushing for a decentralisation of national collective bargaining systems and the adjustment of wage increases to sectoral or regional productivity. Recent documents from the EU institutions push more firmly in this direction.<sup>4</sup> Repeated calls by the Commission and other international financial and economic policy organisations to make wage-setting more flexible and to decentralise bargaining institutions (e.g. OECD 1994, 2004 and 2006) have been recently reiterated, often in the context of reforms of the public sector, pension systems and labour markets (European Commission 2010a, European Council 2011).

Meanwhile, in order to avert competitive pressures on wages and maintain dynamic wage growth and workers' purchasing power, a number of European and national unions embarked on a coordinated approach to wage bargaining coordination. In order to secure these goals, various forms of transnational co-ordination were established. At cross-industry level, the ETUC created a working group on wage co-ordination based on the mandate of its 1999

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3. European Commission (2010a) Europe 2020: Integrated Guidelines for the economic and employment policies of the Member States.

4. For example, guideline 2 stresses (European Commission 2010a : 9) that "(...) 'Member States should encourage the right framework conditions for wage bargaining systems and labour cost developments consistent with price stability, productivity trends over the medium-term and the need to reduce macroeconomic imbalances. Where appropriate, adequate wage setting in the public sector should be regarded as an important signal to ensure wage moderation in the private sector in line with the need to improve competitiveness (...)' Furthermore, the 'Annual growth survey' (European Commission 2011b : 5) states:

"Member States with large current account deficits and high levels of indebtedness should present concrete corrective measures (these could include strict and sustained wage moderation, including the revision of indexation clauses in bargaining systems)."



Congress in Helsinki and adopted a resolution on this topic in December 2000 (ETUC 2000). At sectoral level, the European Metalworkers' Federation (EMF) and the Textiles, Clothing and Leather European Trade Union Federation (ETUF-TCL) both adopted guidelines for their national bargainers in the late 1990s (EMF 1998). At transnational level the Doorn group, which consists of German, Belgian, Dutch and Luxembourg trade unions, began to hold annual meetings to assess the results of national wage bargaining via the formula agreed, i.e. inflation plus productivity (Pochet 1999; Dufresne 2002). Such transnational co-ordination initiatives, while not interfering with national bargaining practices, nonetheless contributed to the emergence of a 'European' system of industrial relations (Crouch 2000; Dølvik 2000; Marginson and Traxler 2005; Traxler 2003; Freyssinet 2006). The preconditions for and possibilities of the creation of such a European system of industrial relations, as well as its efficiency, have been analysed by a number of scholars (Traxler 2000; Calmfors 2001; Traxler *et al.* 2008; Traxler and Brandl 2009).

The practice of transnational coordination thus has to be evaluated in this context of, on the one hand, strong pressure from economic actors to deregulate national labour market institutions and, on the other, an emerging (but still very fragmented) EU framework of industrial relations.

# 1. Transnational coordination of collective bargaining: a multi-level process of Europeanisation

The transnational coordination of collective bargaining is just one facet of the process of Europeanisation and creation of collective actors and institutions. Table 1 below summarises the different levels and governance mechanisms of a ‘European’ system of industrial relations. It shows the different goals: a) negotiation of agreements; b) information/consultation; and c) influencing public policies at varying levels, i.e. cross-industry, multi-sector, sectoral, transnational and national.

Adopting a multilevel approach, we indicate at each level the institutions under consideration, the actors involved and the outcome. We can infer from this table that, while there exist many different institutions, these are poorly interrelated (for example, the level of European sectoral social dialogue and European Works Councils as institutions at the level of multi-national companies). At this point we will briefly present the main developments in relation to wage coordination.

## European social dialogue

At the cross-industry, multi-sectoral and sectoral levels, peak organisations of labour and business enter into a ‘European’ social dialogue that may result in European framework agreements, autonomous agreements or joint recommendations and opinions. Social dialogue at the cross-industry level has lost much of its initial impetus and drawn to a standstill in recent years (Degryse 2011). Linked to the EU social dialogue is the macro-economic dialogue which should, ideally, be an exchange (signaling process) between the central bank, the social partners and the EU institutions focusing on wage and monetary developments. It is, in reality, much more of a monologue than an efficient tool.

Sectoral social dialogue, likewise, is unevenly developed, despite the increasing number of social dialogue committees.<sup>5</sup> Compared to the European social dialogue at cross-sectoral level<sup>6</sup>, European sectoral social dialogue is considered a ‘soft’ regulatory mechanism resulting mainly (with some exceptions<sup>7</sup>) in non-legally-binding agreements, declarations, codes of conduct

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5. 40 European sectoral dialogue committees were created in the period after 1998, when ‘European’ structures for sectoral social dialogue were formally established, up until the beginning of 2011.

6. The framework agreements on parental leave (1996), part-time work (1997) and fixed-term contracts (1999) were adopted as Council directives.

7. Exceptions are the agreements on working time of seafarers and in the railway transport sector (1998), civil aviation (2000) and the agreement on certain aspects of the working conditions of mobile workers engaged in interoperable cross-border services in the railway sector (2005), all of which were adopted as Council directives.

and guidelines. While more binding agreements have been signed during the last five years (Degryse and Pochet 2011), the effectiveness of European social dialogue, at both the intersectoral and sectoral levels, as an instrument for the regulation of wage and working conditions is, generally speaking, rather limited (Keller and Platzer 2003; Marginson 2005). Moreover, the two most comprehensive studies of the EU sectoral and cross-industry social dialogue have indicated that wages and wage bargaining are among the topics on which trade union representatives are least keen to negotiate at EU level (Pochet et al. 2004, Degryse 2011).

## European Works Councils

At the level of multinational companies EU legislation – such as Directive 2002/14/EC for the establishment of a general framework for informing and consulting employees in companies in the EU and the European Works Councils (EWC) Directive (94/45/EC) for the information and consultation of employees in (groups of) ‘Community-scale undertakings’, including the recast EWC Directive (2009/38/EC) – provides a basis for a transnational framework for employee participation. It should be noted that there are significant differences between the functions of EWCs and those of the works councils set up on the basis of national labour law in a number of EU countries. In countries such as Germany, Italy and the Nordic states, works councils are entitled to negotiate works agreements at the company level. This so-called co-determination role makes works councils an important bargaining agent at enterprise level in a number of EU countries. At the transnational level, however, only a minority of the EWCs established in 914 companies (as of March 2011, ETUI 2011) actually take part in local negotiations at MNC sites in different European countries. Although EWCs constitute a structure for the coordination of collective bargaining between sites located in different EU countries, they have not, to any major extent, been ‘activated’ for this purpose by local trade unions. As Hancké has pointed out in his study of the automotive sector, EWCs have been largely ineffective as tools to coordinate local negotiations transnationally (Hancké 2000). The limited role of EWCs becomes even more evident when it is considered that the automotive sector represents a traditional stronghold of union organisation. Other authors, meanwhile, reach a more positive assessment of the role of EWCs in transnational collective bargaining. Arrowsmith and Marginson (2006), for instance, identified a ‘context-setting’ role of EWCs in local negotiations at MNCs in the car manufacturing sector. Here EWCs were able to influence the bargaining agenda in negotiations with management as they were in a position to collect data on comparative costs and performance at different sites. In general, however, the limited access to comparative information on labour costs and productivity at different locations is one of the main obstacles to an effective mobilisation of EWCs for the transnational coordination of MNCs’ wage and HRM policies.

Despite the limited role of EWCs in supporting negotiations on pay and working conditions in MNCs, their importance as parties in the negotiation of joint texts and framework agreements (summarised under the term ‘*transnational*

company agreements’) concluded in MNCs has grown considerably (e.g. Marginson and Sisson 2006b). Unlike collective agreements, which settle key issues such as wages and working time, transnational company agreements address ‘soft’ issues. Transnational agreements concluded by the management and global union federations (GUFs) – often referred to as ‘*International Framework Agreements*’ – deal primarily with the implementation of ILO core labour standards (e.g. Voss *et al.* 2008), whereas agreements concluded between the MNC management and EWCs and/or ETUFs (also labelled ‘*European Framework Agreements*’) deal mainly with issues such as corporate social responsibility, transnational guidelines for the company’s personnel & HRM policies, restructuring and health and safety (e.g. Telljohann *et al.* 2009).<sup>8</sup> EWCs are the predominant actors in the negotiation of transnational company agreements and by March 2011 71 such agreements<sup>9</sup> had been signed by EWCs (ETUI 2011).

Table 1 The institutional structure of a European system of industrial relations

Level		Negotiation	Consultation/information	Influencing public policies			
Cross-Industry	Institution	Cross-industry social dialogue		Macro-economic dialogue	EESC	Tripartite summit	EES/OMC
	Outcome	Agreement	Autonomous agreement	Recommendation/Joint opinion	Exch. info	Joint opinion	Exchange of information
	Actors	ETUC/CEEP/Business Europe + Federations		- Central Bank - Social partners - finance ministers - Commission	- Employers - Unions - Third sector	- Head of state - Social partners - Commission	Commission Civil servants Social partners NGOs
Multi-sector	Institution	Sectoral social dialogue					
	Outcome	Voluntary agreement Ex Silica		Joint opinion ex. public procurement			
	Actors	European trade union federations (ETUFs), employers organisation					
Sectoral	Institution	Sectoral social dialogue			High level groups ex. Textile		
	Outcome	Agreement	Autonomous agreement	Recommendation	Joint opinion		
	Actors	ETUFs, employers organisation			Employers, stakeholders		
Multinational	Institution	European Company	European Works Council	CSR			
	Outcome	Autonomous agreement		Exchange of information			
	Actors	National trade unions, ETUFs, Employers, EWC		Employers, others			
Transnational	Institution	Wage/working time/training coordination			Eures		
	Outcome	Exchange of information, common guidelines			Exchange of info		
	Actors	National/Sectoral trade unions, ETUC, ETUFs			National/regional trade unions		
National	Institution	Information/consultation at national level (Dir.2002)			Consultative social dialogue Committee		EES/OMC
	Outcome	Autonomous agreement	Exchange of information		Joint opinion		Consultation
	Actors	National/Sectoral trade unions, employers			Social partners		Social partners, NGOs

Source: Pochet original composition

After having proposed an ‘optional European framework for transnational collective bargaining’ (European Commission 2005), the European Commission pointed to the fundamental shortcoming of outcomes of transnational

- 8. In some cases the distinction between ‘European’ and ‘International’ Framework Agreements is blurred because agreements are signed by both GUFs and EWCs.
- 9. We refer to so-called ‘substantive agreements’ concluded between EWCs and management on specific topics, not considering ‘installation agreements’ for the establishment of a EWC.

negotiations that lack a legal framework (European Commission 2008a). And yet, despite the acknowledged importance of transnational company negotiations, no concrete action has been undertaken by the Commission to establish a legal framework for transnational collective bargaining.

## **Cross-border coordination of national collective bargaining**

The cross-border coordination of collective bargaining policies at the transnational level (in contrast to European social dialogue) is a purely *union-driven* process. Employers do not have an interest in coordinating the process of the determination of wages and working conditions transnationally. On the contrary, companies (in particular multinationals) actually benefit from the wage differentials existing between countries (and regions) and different national systems of industrial relations and labour market regulation. Because the international mobility of capital exceeds that of labour, companies operating on a transnational scale enjoy a bargaining advantage in that they can threaten to relocate their production to another country (or region), regardless of whether or not this threat is actually going to be followed by action. The advent of multinational companies as bargaining agents thus altered the balance of power between organised labour and capital (Castells 1996; Crouch 2004; Hyman 2001), for, insofar as it is in a position to threaten relocation, the management of an MNC gains an advantage in its negotiations with labour.

Transnational trade union co-operation in the collective bargaining field dates back to the 1970s when unions from the metal sector first established informal cross-border institutions for the exchange of information and policy coordination. More recently, the transnational coordination of collective bargaining policies by European and national trade unions received new impetus with the arrival of EMU (Sisson *et al.* 1999; Sisson and Marginson 2000; Marginson and Sisson 2006a).

In the wake of EMU, governments of some Eurozone countries (i.e. Belgium, Spain, Ireland, Italy, Greece, Finland and Portugal) adopted social pacts aimed at increasing macroeconomic competitiveness and achieving the criteria stipulated in the Stability and Growth Pact (e.g. Fajertag and Pochet 1997 and 2000; Schmitter and Grote 1997; Parsons and Pochet 2008; Pochet *et al.* 2010). *Wage restraint* was a central component of these pacts which, in countries such as Belgium, the Netherlands and Ireland, also addressed broader labour market and welfare policy measures.

Adjustment in the forms of welfare state retrenchment, labour market flexibilisation and wage moderation raised fears of 'regime competition' (e.g. Rhodes 1998). The most prominent example of legal changes aimed at increasing international competitiveness is the adoption of the law on the 'Promotion of Employment and the Preventive Safeguarding of Competitiveness' in Belgium in 1996. This law stipulated that the average wage increase in Belgium should not exceed wage increases in the country's most important trading partners

(i.e. Germany, France and the Netherlands). Unions in Belgium responded by setting up the so called ‘Doorn Group’, consisting of union confederations from Belgium, the Netherlands, Luxembourg and Germany.<sup>10</sup> In the ‘Doorn Declaration’ of 1997, the participating unions agreed on a coordinated approach to collective bargaining aimed at achieving a productivity-orientated wage policy and preventing wage competition. Representatives from the participating unions met annually until 2002 to coordinate wage bargaining as well as non-pay issues such as lifelong learning. Subsequently, meetings became less frequent and the repeatedly suspended meeting activities of the Doorn Group serve to underscore the difficulties of an inter-sectoral approach to transnational coordination.<sup>11</sup> Due to the high degree of interest heterogeneity at the cross-industry level, it is much more difficult than at the sectoral level to achieve forms of united interest and collective action.

The cross-border dimension of collective bargaining, in particular wage-setting, is of relevance in the export-orientated manufacturing sectors. This contrasts with wage bargaining in the ‘sheltered’ sectors – such as the services sectors – that are not – or to only a limited extent – exposed to international competition (e.g. Traxler *et al.* 2001; Johnston and Hancké 2009; Keune and Pochet 2010; Collignon 2009). In view of the EMU that was expected to further increase competitive pressure on wages, the European Metalworkers’ Federation (EMF) adopted principles on collective bargaining as early as 1993 (see Section 2). The EMF thus took the lead in embarking on a transnational approach to collective bargaining that in fact preceded the other transnational initiatives on the inter-sectoral, cross-national level (e.g. the Doorn Group), and European level that were not launched until the late 1990s.

In the next section we present initiatives taken by European and national unions to set up various institutions and instruments for the transnational coordination of collective bargaining aimed at the prevention of wage competition.

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**10.** Unions from France joined the Doorn Group in the early 2000s, in particular, to coordinate on working time policies (Initiative de Doorn 2004).

**11.** Since 2006 meetings of the Doorn Group have been resumed on a bi-annual basis. Recently, the 10<sup>th</sup> political conference of the Doorn Group took place in Paris in November 2010.

## **2. Trade union initiatives for the transnational coordination of collective bargaining: two patterns of Europeanisation**

The Europeanisation of collective bargaining can be conceived of as a multi-dimensional process that is determined by developments at the national and European levels (vertical dimension) as well as by economic sector-specific factors (horizontal dimension). Rather than this phenomenon being the result of a uniform and unidirectional process, it is possible to distinguish two basic patterns that vary widely between sectors (Glassner 2009; Traxler and Brandl 2009).

First, the Europeanisation of collective bargaining can follow a ‘*centralised*’ route determined by ‘*top-down*’ processes. The centralised pattern of transnational bargaining coordination refers to institutions and instruments established by the *European Trade Union Confederation (ETUC)* and – even more important – at the European sectoral level by the *European Trade Union Federations (ETUFs)*. A ‘*centralised*’ approach to transnational collective bargaining coordination is characterised by the strong and acknowledged role of the ETUF in shaping the policy approach to collective bargaining coordination. In such cases, the organisation determines the normative orientation and the strategic approach to the Europeanisation of collective bargaining in the respective sector. The strategic repertoire of the ETUF includes the formulation of common goals and policy guidelines, the proposal and adoption of an instrument for the coordination of collective bargaining, such as for instance the European Metalworkers’ Federation’s coordination rule (see Section 2.1), and the establishment of a formalised structure for monitoring and evaluating the implementation of common goals and criteria. What is more, the ETUF has a strong coordinating and surveillance function insofar as it provides a platform for the cross-border exchange of collective bargaining information. In addition, the ETUF promotes the transnational coordination of collective bargaining across sectors and actively contributes to further Europeanisation in this policy field by the information exchange with representatives of other ETUFs. This active promotion of coordination activities is of particular relevance since the transnationalisation of collective bargaining is still at a very early stage and is perceived as a learning experience by the actors involved.

Secondly, the ‘*decentralised*’ path towards Europeanisation determined by ‘*bottom-up*’ processes refers to initiatives and arrangements for the transnational coordination of collective bargaining policies set up by *national* trade unions that will generally – to a greater or lesser extent – involve the European Trade Union Federations. However, the ETUF does not play an active role in determining the political approach to collective bargaining

coordination between national affiliates. Rather, the member organisations are highly autonomous in entering into co-operation with unions from other countries. The issue for, and scope of, coordination are decided by the unions participating in such cross-border co-operation, with topics perceived as relevant for cross-border coordination being vocational training, lifelong learning or work organisation-related issues. The low degree of institutionalisation of bi- or multilateral union co-operation is underscored by the ad-hoc character of such initiatives. Frequently such instances of co-operation are project-based and financed by European Funds and they are only loosely integrated, if at all, into the formal structures of the ETUF. The following section offers a summary of the most important initiatives taken by unions at the European sectoral level, i.e. the metal, chemicals, textiles, food, graphical and public sector.

As explained above, the coordination of collective bargaining – in particular wage bargaining – is most effective at the European sectoral level (for an overview of unions' initiatives see Table 2). The metal sector was in the forefront of the transnational coordination of collective bargaining, having set up informal structures for a regular exchange of collective bargaining information as early as the 1970s. For instance, the transnational union platform 'Nordiska Metall' was founded by metal sector unions from Denmark, Sweden, Finland and Norway in 1970 (Traxler and Brandl 2009). Metal sector unions from Germany, Austria and Switzerland, i.e. the so called 'DACH' group, likewise entered into co-operation (Traxler *et al.* 2008). These regional structural configurations were subsequently partially transferred into the organisational structure of the European Metalworkers' Federation.

In the run-up to EMU, the European Metalworkers' Federation (EMF) embarked on a cross-border approach to collective bargaining coordination with the formulation of its 'statement of principle on collective bargaining policy' adopted at the EMF Collective Bargaining Conference in 1993. This provided for a 'regular annual compensation for price increases in order to protect real wages', and for workers to 'have a share in productivity gains' (EMF 1993). The goal of compensating workers for price increases plus a 'balanced participation' in productivity gains was formally included in the EMF's 'European Coordination Rule' (EMF 1998). One year after the establishment of its committee for the coordination of collective bargaining in 1999, the European Trade Union Confederation (ETUC) adopted the wage policy goal of off-setting inflation and maximising the share of productivity growth going to labour by setting nominal wage increases (ETUC 2000). Other ETUFs, i.e. ETUC-TCL (European Trade Union Federation Textiles, Clothing, Leather), UNI Europa Graphical, EFFAT (European Federation of Food, Agriculture and Tourism Trade Unions) and EPSU (European Federation for Public Service Unions), also adopted formal guidelines for wage-setting based on inflation and productivity growth (see Table 2).

But it is not only procedural rules and guidelines for the cross-border coordination of collective bargaining that were adopted at the European sectoral level. In order to enhance the implementation of common bargaining



guidelines and principles, institutions for transnational trade union cooperation in collective bargaining were established by several ETUFs (see Table 2). Institutions in the form of networks for the transnational coordination of bargaining policies are most firmly established in the metal sector. In 1997 the IG Metall district organisation for North Rhine-Westphalia, the Belgian organisations of CMB<sup>12</sup> and CCMB<sup>13</sup>, as well as the two sector-related Dutch unions FNV Bondgenoten and CNV Bedrijvenbond, set up a transnational network for the exchange of collective bargaining information and trade union officials (Schulten 2001). Several other networks were founded in other European regions, the most active of these being the networks in central and eastern Europe (Austria, IG Metall district of Bavaria, and metal sector unions from the Czech Republic, Slovakia, Slovenia and Hungary), in Denmark, Sweden and the German Coastal District of the IG Metall, as well as the Nordic IN network of manufacturing sector unions from Sweden, Norway, Finland, Denmark and Iceland (Gollbach and Schulten 2000; Glassner 2009).

The transnational collective bargaining networks of the EMF were established with the aim of institutionalising information exchange and cooperation in the field of collective bargaining between unions from neighbouring countries. Although the role of national unions – and in particular of the German IG Metall, which can be regarded as the ‘backbone’ of the interregional network structure – was decisive in creating the networks, the EMF as the European peak-level organisation strongly supports activities within the networks by providing financial, organisational and personnel resources. Thus, the establishment and functioning of the EMF collective bargaining networks are the result of both top-down and bottom-up processes. This means that the networks provide an institutional framework for the implementation of the EMF’s ‘European Coordination Rule’ by national trade union bargainers. The functioning of such an institution depends primarily on the effort and commitment of national affiliates, and their readiness to address common policy issues and implement ‘European’ policy goals that were set in a rather ‘top-down’ fashion. The transnational bargaining network in the region of North Rhine-Westphalia, Belgium and the Netherlands is one of the most active in this respect (Gollbach 2005; Glassner 2009). In the first years after the establishment of the network, the cross-border activities took place on a continued and regular basis. For instance, union representatives met at least twice a year to exchange data on collective bargaining. Occasionally, even the EMF as European Trade Union Federation has taken part in collective bargaining negotiations in these three countries, while union observers have participated in negotiations in the neighbouring countries.

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**12.** The federation of the Belgian metal industry, affiliated to the Belgian General Confederation of Labour FGTB/ABVV, has, since 2006, been split into two regional organisations, i.e. the Flemish ABVV-Metaal and the Wallonian/Brussels-based CMB-FGTB. However, the organisation and coordination of collective bargaining in the metal sectors will remain at a national level.

**13.** The Christian Metalworkers’ Union of Belgium, affiliated to the Confederation of Christian Trade Unions CSC/ACV, later re-named CSC Metal/ACV-Metaal. In December 2009 the Confederation of Christian Trade Unions CSC/ACV merged with the Christian Union of Textile and Garment Workers (CCTKB) to form a new union, the ACV-CSC Metaal.

Table 2 Institutional arrangements and instruments for the Europe-wide coordination of collective bargaining (CB) by European trade unions

Trade union	Inter-sectoral European system for information exchange	Wage bargaining coordination instrument: based on inflation and productivity (year of adoption)	Formal instrument for coordination of qualitative ('non-wage') bargaining issues (year of adoption)	Institutions for cross-border coordination of CB enhancing co-operation between national unions (date of establishment)
ETUC	–	Guideline for the coordination of collective bargaining (2000)	Various resolutions on issues such as training, gender equality, wage equality etc.	–
EMF	Eucob@n	European coordination rule (1998)	Working Time Charter (1998)  First Common Demand on Training (2005)  Second Common Demand on Precarious Employment (2009)	Transnational bargaining networks (1997): – Belgium, The Netherlands, Luxemburg, Germany (North Rhine-Westphalia) – Denmark, Sweden and Germany (Coast district) – France and Germany (Frankfurt) – Austria, Slovenia, Czech Republic, Slovakia, Hungary, Germany (Bavaria) – Switzerland and Germany (Baden-Württemberg)
EMCEF	Eucob@n	–	Resolution on working time	–
ETUF-TCL	Eucob@n	European coordination rule (based on EMF rule)	Resolutions on working time, early retirement, gender equality, capacity building of social partners in the textiles sector;	–
EFFAT	Eucob@n	European wage guideline	Resolutions on working time, training, trade union rights etc.	–
UNI Europa Graphical	–	Wage bargaining coordination rule	Common criteria for the analysis of professional skills	Collective bargaining network at UNI Graphical (early 1990s)
UNI Europa Finance	–	–	Resolutions on training, gender equality etc.	UNI Finance Collective Bargaining Coordination Network (2002)
EPSU	Epsucob@ collective bargaining network	European wage bargaining coordination rule	Resolutions on working time, gender equality, training, equal pay, trade union rights etc	Collective bargaining network energy sector in Central and West Europe (2008)

Sources: Dufresne 2002 and Glassner original research

At the European sectoral level a system for the electronic exchange of bargaining information, i.e. the so called 'Eucob@n (European Collective Bargaining Network)', was set up by ETUFs from the metal, textiles and chemical sector (see Table 2). In March 2009 the European Federation of Food and Tourism Trade Unions (EFFAT) joined the multi-sectoral Eucob@n system. The considerable differences in the economic and institutional structures of the four sectors included in the Eucob@n system influence the ETUFs' approach to bargaining coordination (Glassner 2009). Due to the highly heterogeneous organisational structures of social partner organisations in the chemical sector, the co-operational structures at European level are rather informal, such as the existing networks between Scandinavian countries and Germany and the Benelux region. The chemical sector's information and reporting system has never attained the degree of institutionalisation and formality displayed by its counterpart in the metal industry. It was not until 2003 that bargaining information began to be collected on a regular basis and annual reports compiled. Furthermore, the European public sector union EPSU set up a system for the electronic exchange of bargaining information (Epsucob@) among its member organisations.

The coordination of ‘non-wage’ bargaining issues such as working time, training, pension entitlements, early retirement, flexibilisation of work organisation, working time, gender equality, work-life balance are gaining in importance in collective bargaining. These ‘qualitative’ issues represent an important share of the bargaining outcome. As such, all trade unions that have embarked on a coordinated approach to transnational collective bargaining have also adopted resolutions and/or guidelines that address qualitative aspects of collective bargaining (Dufresne 2002; Dufresne and Mermet 2002; Leisink 2002; Schulten 2003; Marginson 2005). The topics most frequently dealt with in joint guidelines and resolutions are working time, training and gender equality (see Table 2).

### **3. Limits to the cross-border coordination of collective bargaining**

Two sets of factors hinder the transnational coordination of collective bargaining policies by European unions. First, developments in the national systems of industrial relations affect the effectiveness of bargaining coordination on the transnational level. Secondly, and in relation to this, the transnational comparability of outcomes of collective bargaining is limited because of differences between national systems of industrial relations and bargaining practices (see Table 3 and Figure 1 in the Annex). Thus, tools and instruments for the Europe-wide coordination of collective bargaining do not fully take account of national legal-institutional frameworks and collective bargaining practices. With regard to medium- or longer-term developments in the national industrial relations systems and labour markets, a variety of factors influence the determination of wages and working conditions. As a detailed analysis of these factors is beyond the scope of this paper, only the four most important trends will be mentioned here.

First, the effective coordination of collective bargaining at the national level is inhibited by several factors. For instance, the growth of the low-pay sector in which workers in a number of countries are to a large extent subject to minimum wage regulation limits unions' power over the process of wage determination. This is particularly true of the construction sector, retail trade and the personal services sector (Eurofound 2007; Schulten 2006). Furthermore, in some countries, in particular Germany, the erosion of sectoral collective bargaining, indicated by a decrease in collective bargaining coverage (Hassel 2002; Bispinck and Schulten 2007), as well as – a related development – negative wage drift, are inhibiting the coordination of wage policy on the transnational level. Weak and decentralised structures for collective bargaining limit the control of unions over the process of wage formation. In the majority of the central and eastern European EU countries, wage-setting takes place almost exclusively at company level, where union representation and workers' participation rights are often weak (Carley 2002; Kohl and Platzer 2004; European Commission 2006 and 2008b). Higher-level bargaining structures and institutions are largely lacking (such as, for instance, employers' associations) and collective bargaining is frequently dependent on state interference. Likewise, effective bargaining coordination across sectors is lacking in a number of EU countries, in particular in the southern and eastern European countries (with the exception of Slovenia) and in the UK (Traxler *et al.* 2001; Traxler 2003). This is particularly problematic when it comes to bringing wage developments in the public and in the exposed sectors into line with productivity growth (Johnston and Hancké 2009; Traxler and Brandl 2009).

Secondly, there has arisen, with the enlargement of the EU, a divide between collective bargaining systems in which negotiations predominantly take place between trade unions and employers' associations ('multi-employer bargaining'), on the one hand, and systems in which bargaining is carried out between companies and unions, employee representatives or individual employees ('single-employer bargaining'), on the other hand (see Annex, Table 3). Empirical evidence shows that collective bargaining coverage rates are lower in countries where single-employer bargaining is predominant, while bargaining coverage rates in countries characterised by multi-employer bargaining are higher (see Annex, Figure 1) and more stable over time (Traxler and Behrens 2002; European Commission 2004 and 2008b). With regard to the involvement of social partners in public policy-making and wage-setting, tripartite institutions for the determination of wages (in particular in the public sector or for the settlement of minimum wages) are found in almost all EU member states. However, the *de facto* influence of social partners in shaping policy outcomes is weak in some countries, in particular in central and eastern Europe (Eurofound 2007).

Thirdly, differences in industrial relation systems and bargaining practice between EU countries impede the cross-border coordination of collective bargaining in rather practical terms. For instance, the variable duration of collective agreements requires that wage increases, in order to be comparable, be harmonised.<sup>14</sup> In some countries collective agreements cover several industrial sectors, for example in Denmark and Sweden where basic wage increases are settled for the manufacturing sectors as a whole. Effective wages are then negotiated at the company level. Such two-tier collective bargaining systems are widespread in Europe (European Commission 2004 and 2006). Even more problematic is the predominance of decentralised wage-setting. In the UK wages are negotiated exclusively at the company level. This makes data collection and comparison rather difficult, so that it exceeds trade unions' capacities for transnational wage comparison. The general trend towards the decentralisation of wage-setting in Europe, in particular against the background of the economic crisis (e.g. Glassner and Keune 2010), inhibits the comparison of wage increases settled in sectoral collective agreements.

Furthermore, the nature of bargaining outcomes varies across countries. In the Nordic countries, for instance, qualitative issues such as pensions, equal opportunities or work-life balance rank high on the social partners' bargaining agenda. The European Metalworkers' Federation has attempted to address the problem of measuring qualitative aspects of collective bargaining outcomes by developing the concept of the 'value of the whole agreement'. This tool aims at quantifying qualitative, i.e. non-wage, aspects of the collective agreement (i.e. pension entitlements, training) according to a standardised procedure.

Fourthly, the process of data collection, information exchange and reporting, organised and coordinated by the ETUC and its European affiliates, depends

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<sup>14</sup> As collective bargaining reports are published by the ETUFs on an annual basis, wage increases are usually standardised to a one-year period.

entirely on the commitment of national member organisations, and non-compliance does not entail sanctions. The effectiveness of unions' initiatives aimed at the cross-border coordination of collective bargaining is limited due to the *voluntary* nature of common bargaining goals and orientation criteria. Joint 'European' guidelines for wage bargaining tend to be perceived by national union bargainers as 'political' declarations that do not constrain national bargaining practices.

## 4. Conclusions and future prospects

The article has presented trade union initiatives undertaken at different levels (i.e. European, transnational and cross-regional) for the purpose of enhancing collective bargaining coordination. The transnational coordination of wage bargaining is of particular importance within the Eurozone because in a monetary union the option of boosting exports and increasing a country's international competitiveness by currency devaluations is no longer available. Wage policy thus becomes a key variable in enabling the economy to adjust to external shocks resulting from diverging external competitiveness between EMU countries. Trade unions feared that uncoordinated wage bargaining could lead to social dumping and ultimately decrease their bargaining – and as a consequence, political – power. Against the background of the recent 'debt-crisis' of EMU countries such as Greece and Ireland, the current regulatory framework of the Eurozone is under revision. Observers have repeatedly pointed to the asymmetry inherent in the European monetary regime; while monetary policy was centralised, wage-setting institutions remained nationally embedded.

Furthermore, although the number of social partner organisations has grown (e.g. Fligstein and Stone Sweet 2002) and the extent of transnational coordination and mobilisation by trade unions has increased (Sisson and Marginson 2002; Kohl and Platzer 2004; Marginson and Sisson 2006a), a Europe-wide and integrated system of industrial relations has not yet emerged. The various levels of the EU industrial relations framework (see Table 1) are only loosely interconnected and are burdened by poor inter-sectoral articulation. The sectoral level, i.e. European sectoral dialogue, is not addressing the wage question (Keller and Platzer 2003; Marginson 2005) and poorly linked with the level of multinational companies. EWCs and European sector-level unions could indeed play a much stronger role in countering threats of relocation and coercive labour-cost comparisons and in managing transnational restructuring.

Our article has described the various dynamics and also the difficulties and the limits of trade union initiatives for the cross-border coordination of collective bargaining.

In their key capacity as wage-policy actors, trade unions currently face a number of important challenges. However, as a result of two developments, the coordination of wage policies in the EU has not been particularly prominent as a topic, either on the agenda of European policy actors or in the broader public debate. First, continued economic growth in the early years of the 2000s

ensured favourable conditions for the functioning of EMU without any far-reaching efforts at coordination. Secondly, the Lisbon Strategy as a key EU policy strategy did not rank the Europe-wide coordination of wage bargaining very high on its agenda. Although the Commission's Broad Economic Policy Guidelines (BEPGs) referred to wage moderation and wage bargaining decentralisation in order to decrease labour costs and enhance the competitive position of Europe vis-à-vis other global regions, the main debate of EU policy actors centred upon increasing employment rates and, subsequently, the topic of flexicurity as a labour market and employment policy instrument.

The financial and economic crisis, and in particular, the recent 'Euro' crisis, brought the question of the role of wage policy for stabilisation of the Eurozone, by countering competitive imbalances between member countries, to the centre stage of the new Europe 2020 agenda. The imbalances between Germany and most of the other EU countries were the consequence, in part, of pronounced wage moderation over the last ten years. As such, it is essential to ensure that nominal wages grow at the same rate as productivity plus a sustainable rate of inflation. The latter will vary between countries depending on, amongst other things, relative competitive positions. Such a 'European' wage norm, as adopted by a number of European unions, should be the medium-term guideline for the Europe-wide coordination of pay. Existing measures and institutions, such as the ETUC Collective bargaining committee and similar initiatives at sectoral level, should be developed further. The existing 'European' multi-level system of industrial relations (see Table 1) provides a basic framework for coordinating wage-setting and the determination of working conditions across borders. It requires, however, a better articulation between levels and, in particular, the strengthening of initiatives at sectoral level. In line with the concept of 'transnational pattern bargaining', it is sufficient for cross-border coordination to be effective if one country (most feasibly in a specific sector) takes the lead in agreeing wage increases that are then taken into account by wage bargainers in neighbouring countries in their negotiations (Traxler 2003; Marginson and Traxler 2005; Traxler *et al.* 2008). In sectors where such coordination is still a long way off, creative ways of developing new initiatives need to be found, starting, for instance, with the exchange of information.

However, the success and effectiveness of unions' initiatives aimed at the cross-border coordination of collective bargaining are strongly dependent on the institutional configurations of industrial relations systems and relationships with governments. Furthermore, the financial, organisational and personnel resources of European sectoral unions are limited (Schulten 2001; Gennard and Newsome 2005). As a consequence, the coordination of collective bargaining policies has not generally ranked very high on trade union agendas. This, however, is something that could well change as a result of the severity of the current crisis. Trade unions are playing a key role in resolving Europe's economic imbalances and in emerging from the crisis (e.g. Glassner and Watt 2010a). However, without the support of crucial European political actors, such as the European Commission, for the promotion of social dialogue, inclusive systems of industrial relations and institutions for strongly coordinated



and articulated collective bargaining, the trade unions' burden in seeking to solve EU imbalances will become too heavy for them to bear. The repeatedly expressed view of EU institutional actors, such as the European Central Bank (ECB) and the Economic and Financial Affairs Council, that what is required is a decentralisation and individualisation of collective bargaining is counter-productive in this regard. Additional policy measures are required in order to ensure both social and economic stability in the EMU. The most important such measures are the harmonisation of corporate tax systems, better coordination of economic and fiscal policies and a stronger focus on growth perspectives, rather than an approach geared exclusively to stability.

## Annex

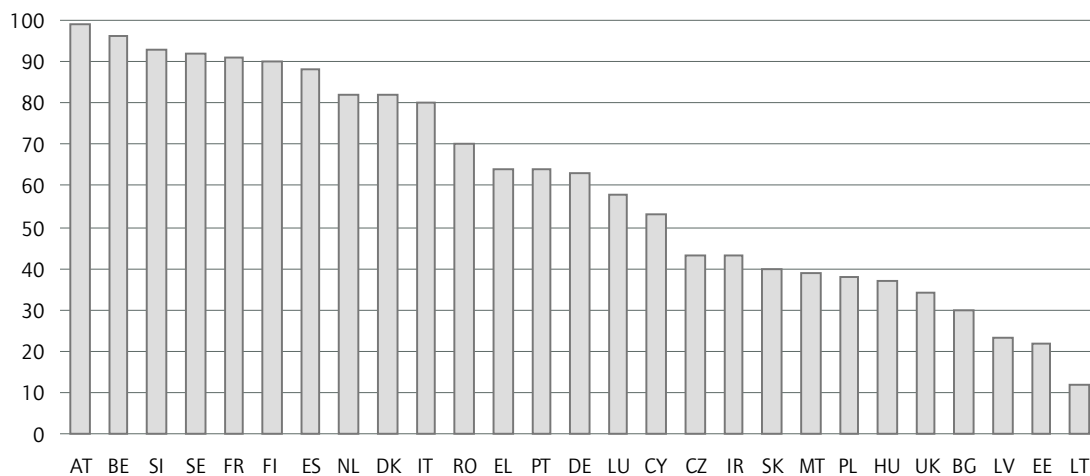
Table 3 Levels of collective bargaining in selected European countries

	Inter-sectoral	Sectoral	Company	Predominance of MEBa or SEBb
Austria		XXX	X	MEB
Belgium	XXX	XX	X	MEB
Bulgaria		X	XXX	SEB
Cyprus		XX	X	MEB
Czech Republic		X	XXX	SEB
Denmark	X	XXX	XX	MEB
Estonia		X	XXX	SEB
France		X	XXX	MEB
Finland	XXX	XX	X	MEB
Germany		XXX	X	MEB
Greece	XX	XX	X	MEB
Hungary	X	X	XXX	SEB
Ireland	XXX		X	MEB
Italy		XXX	X	MEB
Latvia		X	XXX	SEB
Lithuania		X	XXX	SEB
Luxembourg		XX	XX	MEB
Malta		X	XXX	SEB
Netherlands		XXX	X	MEB
Poland		X	XXX	SEB
Portugal		XXX	X	MEB
Romania	X	X	XXX	SEB
Slovakia	X	XX	XX	SEB
Slovenia	XX	XX	X	MEB
Spain		XXX	X	MEB
Sweden		XXX	X	MEB
UK		X	XXX	SEB

Note: XXX = most important level, XX = important level, X = existing but marginal level; 'Blank' = level is non-existing  
a 'Multi-employer bargaining', b 'Single-employer bargaining'.

Sources: Marginson/Traxler 2005, European Commission 2004, ETUI 2010[1].

Figure 1 Collective bargaining coverage rates in the EU countries, 2006



Source: European Commission 2008b.

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## List of abbreviations

ABVV-Metaal/ CMB-FGTB	General Union of the Belgian Metal Industry, affiliated to the Belgian General Confederation of Labour FGTB/ABVV
BEPGs	Broad economic policy guidelines
CCMB	Christian Metalworkers' Union of Belgium, affiliated to the Confederation of Christian Trade Unions CSC/ACV
CCTKB	Christian Union of Textile and Garment Workers
CMB	Federation of the Belgian metal industry, affiliated to the Belgian General Confederation of Labour FGTB/ABVV
CSC Metal/ACV-Metaal	Christian Union of Metalworkers, affiliated to the Christian Trade Unions CSC/ACV
DG ECFIN	Directorate General for Economic and Financial Affairs of the European Commission
GDP	Gross domestic product
ECB	European Central Bank
EFFAT	European Federation of Food, Agriculture and Tourism Trade Unions
ETUF	European Trade Union Federation
EMCEF	European Mine, Chemical and Energy Workers' Federation
EMF	European Metalworkers' Federation
EMU	European Monetary Union
EPSU	European Federation for Public Service Unions
Epsucob@	Collective Bargaining Network of EPSU
ETUC	European Trade Union Confederation
ETUF-TCL	European Trade Union Federation Textiles, Clothing and Leather
Eucob@n	European Collective Bargaining Network
EWC	European Works Council
GUF	Global Union Federation
HRM	Human Resource Management
IG Metall	Metalworkers' Union
MEB	Multi-employer bargaining
MNC	Multi-national company
SEB	Single-employer bargaining
UNI Europa Finance	Union Network International Europe Financial Services
UNI Europa Graphical	Union Network International Europe Graphical Sector

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