European industrial relations under international pressure

A six-country comparison

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Introduction: the EU and national industrial relations

A paradox has emerged in the last two decades in Europe. Interest in comparing employment relations has increased, under international pressure to increase productivity, employment rates and competitiveness and to attract foreign investors and foreign skilled workers. International organisations, governments, trade unions, multinational companies and even employees themselves collect comparative information at an unprecedented scale. But these comparisons are often decontextualized, with an overarching concern to detect 'best practices' and compare crude indicators, but less attention paid to the complex linkages employment relations have within each society. One reason of this de-contextualisation is that during the last twenty years, industrial relations have become less of a political priority than in the past: social problems were being kept under control, rather than through direct negotiations between employers and employees, by 'dislocating' them through increased public debt and subsequently private debt. The current financial crisis, which undermines the sustainability of policies based on public and private debt, is returning to the spotlight the political dimension of industrial relations.

In order to bring clarity to the purpose of comparing employment relations, for two years I have interviewed and collected information and data on the industrial relations developments since 1992, in the six largest EU countries in terms of population and of GDP at purchasing power parity (Germany, France, UK, Italy, Spain and Poland – accounting for over 70% of the EU population). The analysis has focused on the international pressures affecting the three main actors of employment relations: multinational companies (on the employer side); migration (on the employee side); and international organisations, with particular regard to the EU (on the state side). All three forces converge in undermining the potential of national industrial relations arrangements – but are these forces irresistible?

The enduring role of the state, the changing meaning of models

Globalisation theorists expect the world to become 'flat' and 'borderless'. This would undermine the national state and national associations, while not necessarily constructing forms of governance at the supranational level. Other researchers, however, stress the endurance and even the widening of national diversity. Among them, the 'Varieties of Capitalisms' theory has become particularly influential, with its clear distinction between the institutions of 'liberal market economies' and those of 'co-ordinated market economies'. Its application to European developments has become more and more difficult, given that most EU countries are rather 'mixed' cases. Even those that should correspond to those modes, like Germany and the UK, have undergone deep changes. The Varieties of Capitalism theory neglects the political dimension of employment relations.

It is this political dimension that has been particularly neglected in the last twenty years. On one side, 'globalisation' and technocratic EU policies appeared to limit the discretionary power of national states and national actors, all subject to the imperatives of competitiveness.

On the other side, the concern with industrial order and social peace was reduced by the rise of public and then private debt, and by the fall of the communist bloc in 1989, seen as no less than 'the end of history'. The final dismissal of an already discredited alternative model removed also capitalism's concern with self-restraint and social compromise. From the 1990s on, social regulations could be seen as largely a thing of the past, and their abandonment started to be called 'modernisation'.

The most important work locating comparative industrial relations in national political traditions was written nearly twenty years ago by Colin Crouch[1]. It focused on how industrial relations have been shaped by nationally specific relations between state, guilds, Church and free trade at the crucial time of industrialisation. However, is an approach focussed on *national* politics still appropriate? The process of international integration in Europe since the early 1990s has included the EMU, the Maastricht Social Protocol, the European Employment Strategy, manifold increases in foreign direct investment and migration, and eastwards enlargement. Are political traditions still relevant when the issues are transnational: competitiveness, social dumping, relocations...? If they are, do they make transnational co-operation and regulation more difficult? After all, in 1993 Crouch concluded his major investigation by arguing that EU-level regulations were unrealistic, given national differences.

The analysis of these transnational pressures has to start with the fact that different countries are affected by them to different degrees, depending on their geo-economic position (Table 1).

Multinationals' influence on IR

The stock of inward Foreign Direct Investment (FDI) has increased nine-fold between 1990 and 2010, both globally and in the EU, which despite the rise of emerging economies has maintained its share of global investment. Among the six largest countries, in Italy, Germany and the UK the increase has been slower (five to six times) and higher in France and Spain (ten times). Poland is an exception: in 1990 foreign investment was nearly nil.

Multinationals affect national industrial relations in three main ways: directly, as organisations that disseminate specific employment practices; indirectly, by explicit or implicit threats to 'exit' the countries, and by inducing national debates on how to attract FDI; and politically, when they becoming a lobbying force, whether individually or in groups and associations.

In terms of direct employment practices, these are most visible in Poland due to the role of foreign capital in the still recent economic transition. This role is particularly clear in the service sector: retail, banking and telecommunications. Overall, optimistic hopes in multinationals introducing high social standards have been largely frustrated. Even German employers tend not to reproduce the social elements of what is known as the 'German model': associational collective bargaining and indirect employee participation. Over time, foreign employers have influenced local actors in what appears to be a hegemonic rise: in both Fiat and France Telecom initial strong union militancy gradually moved to more collaborative attitudes. On the other side, union-free multinational companies have been targeted by union organising attempts, but mostly in a conciliatory way. In some rare cases, such as Auchan and Danone, foreign investors have experimented with non-union representation.

Distinctive employment practice dissemination by foreign companies is also widely reported in Spain and, to a lesser extent, France. In Spain, for instance, the Volkswagen group, after a tough conflict in 1994, managed to restructure the Seat plants and replace the old militant workforce with young employees suitable to new forms of organisation. But a decade later the same new workforce was put in direct competition with the workforce of the Bratislava factory. France is the country where Japanese investors have been most influential, with a wave of non-union forms of participation (especially quality circles) and attempts at creating 'productivist' coalitions with company unions - attempts that have largely failed. Multinationals take the lead in the introduction of variable pay, and American companies also in that of diversity management. Their overall impact is therefore proportional to the permissiveness and

[1] Crouch, C., *Industrial Relations and European State Traditions*. Oxford: Oxford University Press, 1993.

openness of host-country industrial relations: highest in Poland, followed by Spain, UK and France – and most dense, on the other side, in Germany and Italy.

Table 1 – Weight of international forces

	Multinationals	Migration	EU regulations
Germany	Low: 10% private employment 7% capital formation 20% of GDP Some influential US investors, *Standortdebatte*, American Chamber	High: 15% foreign-born 19% of new employment 0.5% posted workers	Low: 'world of domestic politics' Few employment recommendations
France	Medium: 20% private employment 13% capital formation 39% of GDP Resistance to us influence openness to Japanese	High: 12% foreign-born 12% of new employment 0.5% posted workers	Medium: 'world of neglect' Moderate ECB pressure Some employment recommendations
UK	High: 20% private employment 23% capital formation 48% of GDP Traditional openness	High: 13% foreign-born 65% of new employment 0.2% posted workers	Low: 'world of domestic politics' Few employment recommendations Opt-out from Lisbon Treaty
Italy	Low: <10% private employment 5% capital formation 16% of GDP Recent debate on FDI Fiat internationalisation	Medium: 8% foreign-born 22% of new employment 0.2% posted workers	Medium: 'world of dead letters' Strong employment recommendations Strong ECB pressure
Spain	Medium: 10% private employment 12% capital formation 44% of GDP Influential investors in export sectors	High: 15% foreign-born 29% of new employment 0.5% posted workers	High: 'world of domestic politics' Strong employment recommendations Strong ECB pressure
Poland	High: 20% private employment 18% capital formation 41% of GDP Influential investors in export sectors, especially German	Medium: 0.5% foreign-born 1% of new employment 0.1% posted workers >5% of labour force emigration since 2004	High: 'world of dead letters' Some employment recommendations Accession conditionality

Data: share of foreign multinationals on employment: OECD 2007; share of FDI in capital formation: UNCTAD, average 2001-10; share of FDI stock in GDP: UCTAD, 2010; share of foreign-born in working-age population: EU LFS, 2007; share of foreign-born in new employment: EU LFS, 2000-07 (except Germany: 2000-11); share of posted workers on employment: E101 certificates, 2007; world of compliance: Falkner, G., Treib, O. and Holzleithner, E., *Compliance in the Enlarged European Union*, Aldershot: Ashgate (2008); recommendations: European Commission, 1997-2011.

Overall, multinational companies tend to comply with national collective bargaining structures: their collective bargaining coverage is the same, or even higher (in the case of the UK) than for the national average. However, multinationals do shift the balance of collective bargaining by being more active in company-level bargaining, which appears more pertinent to their product markets and organisation structures. In France and Spain, where sectoral collective agreements mostly limit themselves to setting relatively low minimum pay levels, multinationals can often easily afford higher pay levels and find therefore sectoral agreements, however binding, of little relevance – a point which undermines the political argument that the collective bargaining structure of these countries would hamper foreign investment.

The most disruptive case of a multinational's impact on national industrial relations has taken place in Italy, with Fiat's exit from national collective bargaining and from the Italian employer federation in 2010-11. Fiat is the largest Italian industrial company, but has recently accelerated its internationalisation by selecting an Italo-American CEO and taking control of Chrysler and planning to merge with it. As Italy had lived under the custom (although under no legal obligation) of *erga omnes* binding collective agreements, Fiat's move undermines the whole structure of Italian collective bargaining and even of union representation, which was itself regulated by a national agreement signed in 1993. Fiat's move (which keeps being contested by the larger metalworking trade union, Fiom-Cgil, now excluded from the plants) forced trade unions, employer associations and government to respond with a tripartite agreement reforming the system in June 2011.

The indirect influence of foreign capital through competition for investment projects is increasingly pervasive. It is strongest in Poland, a country with a shortage of domestic capital and therefore dependent on foreign sources for investment and technological upgrade. In Central Eastern Europe, large multinationals often organise some kinds of 'beauty contest' between different locations, exerting a major pressure on prospective host countries to use employment relations as competitiveness tools. When Poland lost the expected investment by Hyundai to Slovakia in 2004, the reason was publicly linked to allegedly higher wages and stronger unions in Poland, even if this is actually disputable. In both Poland and the UK, foreign investment is sometimes conditional on the acceptance of no-strike agreements. Plant competition has become increasingly endemic in large manufacturing companies, in some cases, as in General Motors, involving not only workforces, but even national governments. In Italy, the Fiat new agreement, including concessions on working time and a no-strike clause (very unusual in Italy), was approved by plant ballots after the company had threatened relocation to Poland and Serbia.

At some crucial points, the competition for foreign direct investment becomes an issue for national politics. This occurred with the German '*Standortdebatte*' (location debate) that started in the 1980s and became particularly pressing in the early 2000s, preparing the ground for union concessions and for political reforms. Low attractiveness of foreign investors has been one of the most important arguments for the Italian and collective bargaining reforms of 2011-12. In the French presidential elections of 2012, relocations were one of the most prominent themes. However, there is still strikingly little systematic evidence of the weight of industrial relations factors on multinationals' location decisions.

The practice of lobbying varies deeply country by country. In all six countries, associations of American investors are active, but their lobbying activity is intense in Germany, moderate in Poland, Italy and Spain, and of little relevance in France and UK. The most important American Chamber of Commerce is now arguably the European Council of American Chambers of Commerce in Brussels, focusing on EU affairs. Where they are active, American investors act generally as a radical wing of employers' interests against national regulations, in particular with regard to industrial relations. In Germany this role is particularly visible, but it is largely at the level of discourse. Despite hard-line positions against codetermination, in practice most of the American Chamber of Commerce activity focuses on assisting members on how to adapt to (or bypass) German regulations, rather than on trying to change them: its experts do not consider it realistic that the German government would follow their recommendations, which were for instance rejected in the occasion of the reform of the law on the works council reform of 2001.

In both Italy and Spain, despite frequent mentions of foreign investment in public debates on labour market reforms, according to my interviews, multinationals are actually quite silent on these issues, never mentioning them as priorities. In the Spanish case, the American Chamber of Commerce mentions instead rather non-strategic employment issues such as the need to shorten the long Spanish lunch breaks. In Poland, according to a recent survey by the American Chamber of Commerce and KPMG, investors on one side complain about Polish labour law, but also place it as the least important human resource factor in their choice of investment decisions. In France, the American Chamber of Commerce is invisible in public debates, also in consideration of the strong anti-Americanism of the French political culture.

The influence of multinationals is visible in national employer confederation. The Italian Confindustria was severely hit by Fiat exit and is in search of a new line. In France, foreign companies such as BASF and IBM are particularly influential in the sectoral and national employer associations. The national confederation MEDEF, when reforming itself in 1998, explicitly opted for the name 'Movement of *France's Enterprises*' rather than 'Movement of *French Enterprises*'. In Poland, foreign companies took the lead in creating the new private employers' confederation PKPP in 1998, and foreign automotive companies took the lead to ask for an anti-crisis package from the government, largely modelled on German solutions: working time flexibilisation was explicitly inspired by the so-called Volkswagen model.

Immigration

Labour mobility in the modern economy is inherently lower than capital mobility, and it has been long neglected in industrial relations studies. In the old EU, less than 2% of EU nationals worked in a different country than their own, and foreign nationals account for no more than 10% of total EU employment. Employees can rarely threaten 'exit' with the same convincing power as employers. However, migrant workers have actually a very strong social and political impact: by often working at the margins of the employment system, and being less familiar with existing social regulations, they potentially push the boundaries of those employment systems.

Labour mobility has increased in the EU in the last twenty years, including short-term mobility especially after the EU enlargement of 2004-07. The increase in the labour force through immigration is often perceived as increased competition for jobs and therefore a weakening of workers on the labour market. In fact, in most cases immigration has a complementary role and has positive spill-over effects on the labour market, increasing jobs for insiders as well: this is what has happened for most of the last two decades in the five western countries covered by this study. In Spain, Germany and the UK, foreign workers are also (as from 2009) net contributors to the welfare state, although not in France (no data for Italy and Poland), and female immigration in particular has been filling welfare gaps in Europe. The threats to labour rights through migration does not stem from migrants themselves, but, rather, from the specific forms of their employment.

In all countries in this analysis foreign workers are overrepresented in the worst jobs, in terms of wages and skills. Recent immigrants, in particular, are characterised by high employment insecurity, although the specific forms of their insecurity vary depending on the varying national regulations (for instance, it takes the form of agency work in the UK, and temporary work in Spain). This insecurity has become particularly evident during the last crisis, when foreign workers' unemployment has increased faster than for national workers (although less so in the UK). It is a matter of debate how much this lack of security coincides with the actual preferences of mobile workers, but in all countries the overwhelming perception in foreign worker networks and associations is that segregation in insecure jobs is endured, much more than chosen.

Migrant segregation might be seen as advantageous for native workers, who can keep the more secure jobs. In fact, on some occasions trade unions may be, to a degree, co-responsible in accepting it. In Germany, temporary workers, among whom foreigners are over-represented, have suffered most of the job losses of 2009, and in the new metalworking agreement of 2012 unions did not manage to improve their conditions. However, in all countries, trade unions have not acted as defenders of the insiders against newcomers. Even in the rare cases of apparently hostile mobilisation, as on the Lindsey refinery building site in 2009, the stake was more the respect of collective bargaining than the presence of foreign workers. German trade unions tacitly supported transitional arrangements to limit the employment of workers from the new EU member states between 2004 and 2011, which had some negative consequences in terms of channelling foreign workers to even more vulnerable forms of work (such as fake self-employment), but even they managed to stress the equal rights focus, which was over time accepted and understood even by Polish unionists.

In all five countries, trade unions have stepped up their commitment to organise and defend foreign workers, and the unionisation of immigrants is relatively high and sometimes higher than for nationals (as in Italy). The specific forms of this commitment vary deeply from country to country, depending on both the forms of unionism and the regulations of migration. In France, the CGT and, less prominently, other trade unions organised occupation strikes in the Paris area to obtain residence and work permits for undocumented workers. In Spain and Italy unions acted in favour of undocumented workers too, but in different ways: through demonstration and political pressure in favour of regularisation, and through servicing. In Germany, UK and Poland trade unions did not officially engage in favour of regularisation, although they started a number of other campaigns, such as community organising and the living wage campaign in London. While the broader structural problem is similar for all countries, what is possible for unions varies deeply country by country. In France, the constitutional protection of the right to strike, the relevance of the residence permit, the political space (e.g. favourable media reports) and the reliance of trade unions on institutional resources rather than membership, makes occupation strikes of undocumented workers both possible and useful, even if their successful outcomes are hard to generalise. No other countries have the same conditions, and in particular in the UK unions have to rely on membership, and therefore organising, much more than on the continent. Despite increased Europeanisation of migration policy, the forms of migration policies still vary quite deeply, with a corporatist element in Germany (e.g. the Süssmuth commission in 2000-02), a more political definition in France, a business orientation in the UK and a mix in Italy and Spain. The association between migration policy and specific national business systems explains how immigration tends to contribute to, rather than dismantle, the same national business systems, e.g. by fuelling the service economy in the UK, but construction and agriculture in Spain and Southern Italy.

The variety of responses to migration reflects quite clearly different constitutional traditions, political cultures and concepts of citizenship, with a particular contrast between UK, France and Germany. Although a certain trend towards multiculturalism is visible in all countries, debates on immigration are still very different. Trade unions are a part of this, also in relation to their own identities,[2] and their responses to diversity management, undocumented immigrants and community organising still reflect this.

A particularly critical case is the one of movement of services within the EU, which has led to conflicts in the construction and transport sectors and to rulings of the European Court of Justice (Laval, Viking, Rüffert and Luxembourg cases) that jeopardise national regulations such as collective bargaining and the right of strike. Cases of severe abuse of posted workers' rights are recorded in Germany, UK, Spain and France, although more rarely (e.g. in shipyards) in Italy. In Poland, construction unions report widespread abuses by Polish contractors, especially on wages. Again, responses have been quite different country by country, with the negotiation of sectoral minimum wages in Germany, and stricter legal regulations and inspections in Spain (abandoned however by the new government).

EU employment policies and structural reforms

Institutional scholars have long highlighted that international organisations can have a 'negative' and 'market-making' effect on industrial relations, but hardly a 'positive' and 'market-correcting' one. In the case of the EU, confirmation comes from the very humble transfer of social regulations to the new member states after 2004. To critics, intergovernmental economic organisations are essentially ways to, in line with Hayek's thought, remove economic governance from the national democratic level to ring-fence it in international treaties and technocratic governance.

The last fifteen years offer two interesting examples of EU impact on employment relations. The first is the so-called 'soft policy' of the European Employment Strategy, launched in 1997, which had its highest profile with the promotion, in the mid-2000s of

[2] R. Hyman, *Understanding European Trade Unions*. London: Sage, 2001.

‘flexicurity’. The second example is the recent requirement of structural reforms from countries needing financial support.

Although the European Commission has lately accepted that there may be different ‘pathways’ to flexicurity, fitting to different national cases, the overall aim of its promotion refers to a single objective, i.e. a combination of employment flexibility, active labour market policies and generous, but conditional, unemployment insurance, all inspired by the Danish experience. The flexicurity idea has lost momentum after 2008, given the disappointing performance of the Danish model and, in general, of the most flexible labour markets in the crisis. Yet it had been consistently promoted over a period of several years, through the regular Guidelines and Recommendations of the European Council. It had been particularly influential in France between 2005 and 2008 (the labour market reform of January 2008 was defined by the government and the employer federation as ‘*flexicurité à la française*’) and in Italy from 2004 till today. In Spain, employers appreciate the fact that thanks to the flexicurity debate in Brussels (partially shared by trade unions), Spanish unions ended up accepting flexicurity concepts that they would have never accepted in a Spanish debate. In France the term was soon abandoned, due in particular to union opposition, and replaced, as in Germany, by the idea of ‘securitisation of labour market transitions’. In Poland, flexicurity is strongly supported by the employers, but with the explicit exclusion of higher unemployment benefits, which are deemed unaffordable.

Although the operation of the European Employment Strategy has coincided with a slow convergence in labour market regulations along the three axes, this has been significant only on the flexibility dimension (in the EU15, the average of the politically influential, if conceptually and empirically problematic, OECD Employment Protection Legislation Index has fallen from 2.25 to 2.05 during the first ten years of the Employment Strategy). On security (active labour market policy expenditure and unemployment benefits replacement rate) there has been overall no significant change. In terms of countries involved, the most visible trend has been the change in Italy, where flexibility increased massively following reforms in 1997 and 2003, while only marginal improvements were made to the embryonic system of unemployment insurance and active labour market policies. In this way, Italy has converged, rather than with Danish flexibility, towards a typically Central Eastern European ‘worst case’ combination of insecurity and moderate flexibility.

The most heralded labour market reform in the EES period has been the so-called Hartz reform in Germany. The reform has had some undisputable success, over time, in increasing employment, although at the cost of increased insecurity and the emergence of a low-wage sector that replaced women’s unpaid work at a time of rapid increase in female employment. Although influenced by international comparisons, that reform was considered by all insiders as ‘typically German’ due to the corporatist manner of its elaboration (well represented by the figure of Peter Hartz himself). European recommendations received only marginal attention in Germany; by contrast, the most influential paper was the Blair-Schröder Paper on activation of flexibility of 1999, which, in turn, influenced EU-level debates and policies. The direction of influence is therefore rather from national politics towards the EU than vice versa.

While traditional EU policies in the area of employment (whether ‘hard’ in the form of Directives, or ‘soft’ in terms of co-ordination) may have had little effect, the recent sovereign debt crisis has immensely increased the interference of supranational institutions over national industrial relations on the countries that needed either bailouts, or European Central Bank intervention on sovereign bonds’ secondary market. In the case of Italy and Spain, the pressure came from the European Commission and the European Central Bank, because these countries (at the time of writing) are not object of rescue from the IMF. Within few months, both countries passed deeper reforms than over the previous twenty years, with very little debate and social negotiations. If fully implemented (which is still far from certain), by decentralising collective bargaining, liberalising employment protection and raising the retirement age the reforms would produce a systemic change in the so-called ‘Mediterranean’ employment and social model.

In addition, the EU, and more specifically, the Eurozone, has introduced stronger economic governance tools, with industrial relations implications, since the beginning of the crisis: the 'European semester' of national budgets scrutiny, the so-called 'Six-Pack' of regulations, which refer directly to unit labour costs and to wage setting reforms in case of 'macroeconomic imbalances', and the European Fiscal Pact. Both structural reforms and 'Six-Pack' imply a triple departure from EU traditions. Firstly, they depart from EU Treaties, in so far as these explicitly exclude wage setting and collective bargaining from the realm of EU policies (Art. 153 of the Lisbon Treaty). Secondly, they break away from the idea of 'social Europe' as a concern with a minimum floor of rights: what the new wave of reforms implies is, rather, the subordination of social rights to competitiveness priorities. According to reports in *der Spiegel*, the German government has also been working at plans for creating in Southern Europe 'special economic zones', exempt from certain EU regulations, for countries in crisis, which remind Asian solutions. Finally. while the European economic policy guidelines, and even more the European employment guidelines, could be considered as forms of 'soft laws', the 'Six-Pack' includes the possibility of placing countries under EU 'multilateral surveillance procedure' and inflicting fines, while the structural reforms requested from countries with debt financing problems, even if not legally binding, offer no alternatives except state bankruptcy.

Two policy proposals have been particularly important for the EC and the ECB since 2010: bringing collective bargaining closer to the company and to productivity considerations, and the liberalisation of employment protection through a flexible 'single open-ended contract' that would overcome labour market segmentation. Interestingly, there is little or no evidence that such proposals may help the economy, public finances or the labour market, especially at a time of recession (even the Hartz reforms, in the short term, resulted in higher unemployment). Moreover, they contradict many of the previous Commission's DG Employment and Social Affairs own elaboration, which acknowledged some advantages of employment protection legislation and of co-ordinate collective bargaining. The shift of decision power from DG Employment and Social Affairs to the EcoFin Council and the ECB has coincided with the abandonment of expertise on the social side of labour market, and the adoption of simplistic targets of flexibility and decentralisation

On the 5th August 2011, in the middle of financial turmoil, both Italian and Spanish governments received a letter from the European Central Bank on the 5th August 2011, asking for austerity budget measures, structural and constitutional reforms as implicit conditions for intervening, from the following week, on the secondary markets and purchasing Italian and Spanish bonds. The letters were only leaked to the press at the end of September, and there is ongoing speculation on the fact that the content had been agreed with a faction of the Italian government. The two crucial labour market demands were the reform of collective bargaining 'to tailor wages and working conditions to firms' specific needs' and a review of protection against dismissal. In fact, both countries had already passed collective bargaining reforms, and wage setting had proved reasonably responsive during the crisis. Nonetheless, both governments passed some urgent reforms over the summer, and at the beginning of 2012 new governments introduced additional measures (particularly radical in Spain), which had been rejected by union resistance in previous years.

Both main reforms promoted by EU institutions (decentralisation of collective bargaining and liberalisation of employee dismissals) go in some regards beyond the demands of employers. The Italian employer association agreed with the trade unions, in September 2011, not to make use of some derogations introduced by the government. In both Italy and Spain, as well as in France, employers resisted the proposal of a 'single contract' to overcome the dualisation between permanent and temporary contracts. Both changes destabilise elements of the Italian and Spanish (and to an extent the French) production systems. Collective bargaining decentralisation runs the risk of increasing transaction costs especially in SMEs, where currently employers are very hostile to collective bargaining and prefer combining reference to sectoral wage agreements with internal unilateral, paternalistic management: the Spanish employer confederation president, Juan Rosell, declared about company-level bargaining that 'unions wanted to enter the enterprises, we could not allow it' (*El País*, 4th June 2011). Also in France, the Fillon law of 2004 allowing company level agreements to derogate from sectoral one found very little application, and when a few years later Sarkozy proposed further changes, the metalworking employers association president, Denis Gautier-Sauvagnac, was reported to have started negotiations by saying 'are we at least agreed, that we should change things as little as possible?'.[3]

The idea of a single contract may be popular among labour market economists and influential in Brussels and Frankfurt, and in one of my interviews a European Commission officer expressed disappointment and puzzlement about Southern Europeans' lack of enthusiasm for their proposal. Yet, it undermines the typical segmentation of the labour markets and disrupts an established way of managing human resources, through cultural loyalty for the core workforce and despotic threat for a flexible layer. As an officer of Assolombarda (the most influential regional employer association in Italy) put it, 'Italian employers do not recruit not because of dismissal protection, but because Italian small employers are very individualistic, very *padroni*, they don't open up, they are reticent to recruiting a stranger'. A similar rejection as in Italy and Spain occurred in France when the single contract was proposed by Sarkozy in 2007-08, with a MEDEF negotiator explaining: 'I have always thought that the single contract theory was invented by an egghead fed with neoliberal ideology for dummies; the idea that unemployment exists because firing is complicated is pure speculation'.[4] Interestingly, similar theories were raised by the British government in Spring 2012, despite dismissals being already easier in the UK than on the continent.

Transnational responses?

The analysis of developments in six countries puts in evidence a gap between the similarity and interconnectedness of the issues and the fragility of transnational action. There has been a fast increase in cross-country contacts and information, and comparative arguments have become commonplace, but debates follow mostly national political traditions and transnational action remains generally a specialised 'function' with not much spill-over. This is particularly clear on migration, which although a global phenomenon, is still framed in different national concepts of citizenship. On employment, despite common pressures the biggest differences relate to the situation of SME and the public sector, which are more rooted in national patterns, and in female employment, which is conditioned by national family and welfare state traditions. The degree of support for European federal governance varies greatly, being highest among Spanish and Italian trade unions and French employers, and lowest among Polish and British employers and Nordic trade unions, but in no EU country, according to Eurostat surveys, there is a majority in favour of a European economic government. The most transnational organisations are multinational companies, but even in that case employment relations follow rather national patterns, and transnational developments are marked by national characteristics. The European Works Councils were created largely on the model of French *comités d'entreprise*, and they have developed in particular in French companies, although French management often prefers foreign employee representatives and limits the number of the French. It is in French-based multinationals, also, that transnational agreements with European union federations have been signed most frequently, a practice that is generally resisted by German and especially British multinationals.

If instead of an organised, institutional transnational response we look for softer forms of transnational networks, capable of direct and indirect effects, the picture changes. The EWCs have influence only by lately signing transnational agreements, but also, indirectly, on the peripheral behaviours by increasing information and limiting competition. Similarly, while ETUC policies look ineffective at implementing a common migration policy from above, networks are developing in the border regions as well as in the UK, and involve other social actors. The degree of success varies however with the issue and the kind of networking opportunities: EWC effects vary depending on the size, geography and organisation of the company and migration offers more opportunities than

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[3] Verhaeghe, E., *Au Cœur du MEDEF*. Paris: Jacob-Duvernet, 2011, p.103.
[4] *Ibidem*, p.88.

segregated movement of services and the posting of workers.

The crisis has exacerbated both the need and the difficulty of transnational co-operation. In Southern Europe, some have interpreted the new trends as a new form of 'dependency': richer European countries would force austerity and labour market reforms on peripheral ones, despite their apparent economic uselessness and even harmfulness, in order to poach skilled labour and to reduce potential competitors to the subordinate role of low-skill, low added-value producers. With the media often adopting national or even nationalist imaginary to portray the crisis, transnational co-operation meets more obstacles – unless a more detailed analysis of social relations between specific actors (multinationals, international financial organisations, etc.), rather than countries, is elaborated.

Conclusion: living with diversity

The comparison of industrial relations responses to internationalisation over the last twenty years indicates that there still is no single European Social Model, except, at least for western Europe, in the very broad sense of enduring social compromise, which takes different forms country by country (law, collective bargaining, welfare state). If we compare the current situation to the one that had been analysed by Crouch twenty years ago, there has been some change in the direction of union weakening, but less so in the relations between associations and between them and the state (Table 2 and 3[5]). Even in countries where union density has been relatively stable (UK and Italy), the individualisation of employment relations and rights and the weakening of party-union links have reduced union influence.

The two axes that were distinguished by Crouch (degree of corporatism and degree of labour power) are therefore even more distinct. The balance of power between labour and employers changes over time more easily, than the space between associations and state. In this sense, state traditions are confirmed as very important, and what endures in industrial relations are the forms, rather than the outcomes. The only cases which have recorded a clear shift on the corporatism axis are of those systems that were not yet institutionalised in 1992: freshly democratised Poland and the still emerging EU system – which, against Crouch's hopeful intuition that they would develop into corporatism with weak labour, have actually moved towards more liberal, decentralised patterns. Italy is under particular pressure for change, but it is still too early to say whether its industrial relations structures will be in fact radically restructured.

Despite the continuity of industrial relations, there has been some very slow convergence towards the position of the emerging EU system: weak labour with very fragile corporatist structures. On one side, France has articulated collective bargaining and social dialogue more (Aubry laws, Fillon laws, law on social concertation and change of representativeness criteria), on the other side Germany and Italy have decentralised collective bargaining and Germany is even experimenting with minimum wages. Yet this is not a position that fosters social security, stability, democratic participation or even high economic performance. Paradoxically, the country that has emerged as particularly competitive in the last few years, Germany, is more and more isolated.

Recently (for instance in the French presidential campaign, and in the Italian and Spanish reforms), Germany is often mentioned as a 'model'- the last in a long series that over the last thirty years had included Japan, USA, the Netherlands and Denmark. However, what cross-time research shows is that there are no fixed, coherent models: for instance, in the German situation deep divides between core manufacturing and peripheral manufacturing and services are increasingly sharp.

Recent comparisons of industrial relations, institutionalised by the 'Six Pack' EU regulations, focus on competitiveness and especially unit labour costs, which would cause serious problems to countries in the EMU that do not follow the German path (Figure 1). Yet this focus hides normative and empirical bias, as revealed by more in-depth comparative historical research. First, in a regime of low inflation, major moves in unit

[5] C. Crouch, *op. cit*; C. Crouch, 'Revised Diversity: From the Neo-liberal decade to Beyond Maastricht', in J. Visser and and J. Van Ruysseveldt (eds) *Industrial Relations in Europe: traditions and Transitions*. London: Sage, 2005, pp. 358-375.

labour costs depend on economic trends (including demand and investment), and not on wage setting. This is particularly evident during the recent economic crisis, as it was when the French reduction of working time in 1998-2000 did not increase unit labour costs, and when the Italian performance declined despite wage moderation. Nor does the British performance indicate that decentralisation is the solution. Research on industrial relations performance indicates more and more that strong collective bargaining and labour rights, if within stable institutions, do not affect the economy, while they positively affect society. Secondly, the idea that unit labour costs should decline is normatively in contrast with social aims to increase employment rates, especially for new groups of workers who, when new entrants, may display lower productivity: according to the unit labour costs, Germany ‘should’ have dismissed workers during the crisis of 2009, which is socially and economically absurd. Moreover, the fastest rise in unit labour costs in Italy and Spain occurred in the early 2000s following the regularisation of large numbers of undocumented immigrants: by suddenly increasing the official number of employees (many undocumented workers were not registered by the labour force surveys), while keeping constant the GDP, unit labour cost decline is partially a statistical artefact. Finally, national averages of unit labour costs hide huge sectoral differences, which are those that matter to international economic competitiveness.

Table 2 – European industrial relations, ca. 1992

		Corporatism	
		Low	High
Union strength	High		**(Sweden)**
	Low	**UK** **France Spain**	**Italy (North)** **Germany** **Poland ?** **EU ?**

Table 3 – European industrial relations, ca. 2012

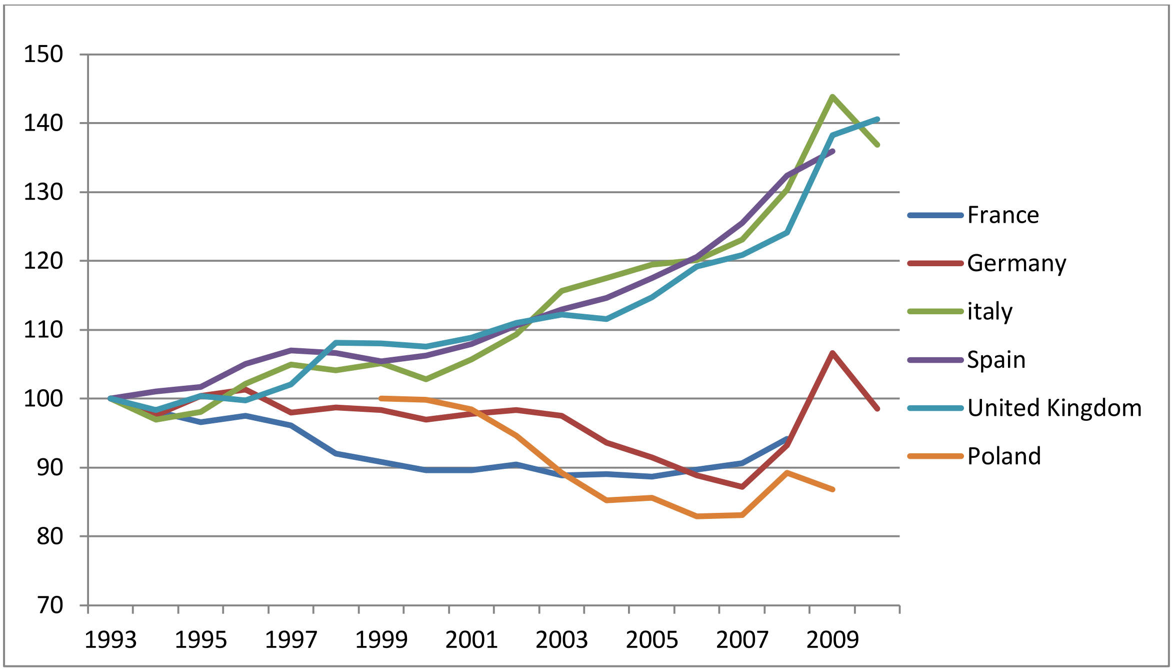
		Corporatism	
		Low	High
Union strength	High		**(Sweden)**
	Low	**UK** **France** **Poland Spain EU**	**Italy (North)** **Germany**

The endurance of industrial relations structures suggests two main scenarios for the defence of labour rights. The first, apparent in recent actions in defence of organised collective bargaining in Germany and Italy, but to a lesser extent also in all other countries, relies on alliances with local institutions that fear disruptive change: employer associations, moderate parties, industrial districts and local authorities, and in some cases non-economic institutions like the Church, which where influential (Italy and Poland) has a leading role in criticising flexibility. The crisis and loss of democratic legitimacy makes the recovery of social cohesion a political and social priority, which calls for the use of social partnership: the German case is an example. In the countries most in turmoil, Spain and Italy, such a scenario could include the tacit non implementation of reforms that are required from external forces, pursuing traditional dissociation between formal and informal levels of industrial relations.

A limit of this first scenario is that social partnership may be increasingly constrained by international pressures and lose democratic legitimacy because if it excludes labour market outsiders. The second scenario is that of new spaces for resistance. At the moment, these spaces are rather small and of disparate nature: from social movements of labour market outsiders (e.g. the *indignados*) to informal forms such as organisational disloyalty and turn-over, particularly visible in the new EU member states. They tend to be national, but are increasingly connected cross borders.

Whatever the scenario, the experiment of the last twenty years of depoliticising industrial relations (to say it with the European Commission and the European Central Bank, to 'tailor them to firms' market conditions') is failing on two accounts. First, institutions, even if weakened and displaced, resist extreme market solutions like 'single contracts': labour relations remain too complex to be easily reformed and individualised. Secondly, despite twenty years of technocratic and managerial discourses, the political nature of industrial relations has come back into the highlight. Governments and employers may regret to have undermined those institutions, whose support they may need.

Figure 1 – Unit labour costs trends (1992=100, except for Poland: 1998=100) (data: Eurostat)



Further readings

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