REPORT

Industrial relations in Europe – 2000

EDITORIAL

(presented by the Commission)
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This report, the Commission's first on the subject of industrial relations in Europe, fulfils a requirement for greater transparency in an area which affects the everyday life of Europe's citizens. The information it contains is intended for a wide audience, with an eye to boosting industrial relations at all levels.

Key developments occurring over the last few years are also noted in the report. The firmly rooted national element of industrial relations has assumed a wider dimension as a result of growing Europe-wide cooperation in the economic, monetary and employment spheres, giving rise to innovative, flexible forms of interaction. These changes are happening quickly but are not yet completed.

Depending on the Member State or sector concerned, industrial relations are driven mainly by individual employment contracts, company or branch agreements and national rules laid down on a statutory or collectively agreed basis. While a quarter of the Member States' wealth on average is derived from exports to the rest of the Union, meaning that one worker in four is producing for the "internal" market, the underlying social conditions continue to be determined locally. The developments highlighted in this report show that the players involved must increasingly take the European dimension into account.

Highlights

The major influences on industrial relations in the European Union over the last few years have been as follows:

– Economic and monetary union has helped to create a more cooperative industrial relations climate based on shared macro-economic objectives. The sharp drop in the number of labour disputes illustrates this change. The number of working days lost through disputes in the European Union fell from more than 85 million in 1979 to less than 7 million in 1996.

– In spite of the far-reaching structural changes affecting industry and the European economy more generally, and consequently their members, the social partners have adapted and they now have a greater say in matters. At national level, new tripartite approaches were taken in 11 Member States during the 1990s, leading to the adoption of a series of social pacts for employment. At European level, the social partners have been concerned mainly with getting the European employment strategy off the ground, and their contribution to this process is the current focus of attention.

– Wage developments have been very moderate in the European Union over the past two decades, with increases in real employee compensation tending to remain below productivity growth. As a result, real unit labour costs fell by about 6% between 1991 and 1998, thereby paving the way for a readjustment
of economic policy and stabilisation of inflation at a very low level. From an average rate of around 10% between 1970 and 1985, inflation has fallen to less than 2%. The introduction of macro-economic dialogue and increasing awareness of the European dimension among national negotiators is impacting markedly upon wage negotiations.

- Enlargement will bring into the European Union a number of countries with wage levels in the region of 300 euro per month, as opposed to more than 2000 euro in many of the current EU Member States. However, these wage levels are roughly in line with productivity. Far from being a competitive threat to the 15 Member States, Central and Eastern Europe represents a huge and growing market that absorbs more imports from the current EU than it exports to it. The EU's trade surplus amounted to some 27 billion euro in 1998.

- The annual duration of working time in 1998 was 1 660 hours, ranging from 1 425 in the Netherlands to 1 940 in Greece. Innovative changes in hours of work and working patterns are now widespread, geared to achieving not only greater flexibility but also a restructuring of working life, family life and leisure time. Involvement in part-time work continues to grow, covering 6% of men and over 30% of women in 1998. The question of reducing weekly working hours is still very topical.

- The social dialogue at European level is expanding considerably. More than 100 texts adopted jointly over a 10-year period and six recent agreements provide evidence of this dynamism. Under the Treaty, the European social partners now have a greater say in shaping social policy. Three cross-industry agreements have been incorporated into directives, thereby becoming compulsorily applicable.

**Wages**

In the 1980s, the European social partners were forced to experience wage restraint. Erratic rises in nominal wages – reaching an average of 14% in the 1970s – were quickly eaten away by inflation. As a result, the social partners, governments and monetary authorities began to favour a concerted strategy. The policy of nominal wage restraint has helped to get inflation under control (falling below 2%) and offers the best prospect of an increase in real wages.

This policy, pursued over a 15-year period, paved the way for the convergence needed to establish economic and monetary union. The credibility of the process is reflected in the long-term lowering of interest rates, now in the region of 4%. This policy remains vital to the ongoing process of regenerating the European economy.

A radical change in the outlook of trade unions and employers is a necessary corollary to such developments. The social partners have been obliged to include the question of macro-economic stability in their discussions; their key role in macro-economic development has been recognised at the highest level of the European Union. The Cologne European Council set up a permanent mechanism for exchanges at technical and policy levels between the social partners, the Council, the Commission and representatives of the European Central bank.
These "macro-economic dialogue" meetings show how the fundamental approach to wage negotiation is changing and how European developments are influencing decentralised industrial relations.

One point to note is that, given these changes, certain trade-union bodies are coming together to rethink at multinational level the terms of wage negotiation. These efforts are aimed at strengthening the trade-union negotiating stance over a broader range of issues, including the objective of macro-economic stability, and encompassing access to training, equal opportunities and mobility.

The goal of stability has also led the social partners to look for other ways of sharing in productivity gains. The development of schemes to provide participation in profits and enterprise results is a step in the right direction, giving rise to new forms of in-house organisation. 80% of the 500 largest European companies have already introduced financial participation schemes. Innovative methods are springing up in a number of Member States and the Commission is keeping a keen eye on the situation.

The social partners continue to have the final say on wages, although there is a limiting factor in that the public authorities determine the level of social security contributions – generally between 30 and close to 60% of the total labour cost. They may give guidelines, e.g. by setting minimum wage levels, as is the case in eight Member States. It is, however, the social partners' input which, in the final analysis, determines general wage trends.

In this context, the persistence of gender-related wage inequalities is all the more unacceptable. In spite of a Directive adopted in 1975 (75/117/EC), the wage gap between men and women remains at around 28%, due partly to objective factors such as couples' sharing of responsibilities (women having more frequent career breaks), and reflecting also the difficulty of reconciling work and family life. The social partners can help to lessen such inequality by incorporating the gender dimension into their agreements and by giving women more prominence in collective bargaining.

The next enlargement will bring in countries with low wage levels compared to the current EU States. Far from being a homogeneous group, the candidate countries themselves display significant wage-cost differentials, varying from 105 euro per month in Bulgaria to 854 euro in Slovenia. With labour productivity taken into account, the wage competitiveness of the candidate countries is close to that of the European Union. The EU's experience of integrating Portugal, Spain and Greece shows that the raising of real wages is a slow process, in line with internal productivity trends rather than an abstract European "norm".

Furthermore, it is generally the high-wage countries that benefit most from trade. This is particularly striking in relations between the EU and Central and Eastern Europe: Western Europe had a large trade surplus of 27 billion euro with Central and Eastern Europe in 1998.

**Working time**

Besides wages, the second structural element of collective bargaining lies in determining working time and patterns of work. While recent developments in wage
negotiation have centred around the objective of economic stability, discussions on
the organisation and duration of work have diversified and expanded, being currently
the focus for numerous innovations.

The standard model of daily, weekly, monthly and annual working time is the subject
of much debate. Working-time flexibility is emerging in the shape of variable hours,
the development of part-time or weekend working, the annualisation of working time
and the introduction of opportunities for taking career breaks and adjusting the age of
retirement. Between 1985 and 1998, part-time work increased from 4 to 6% for men
and from 28 to 32% for women.

These developments reflect the need to adapt production rhythms and service
availability more closely to demand, with the aim of giving companies the necessary
flexibility and finding the most efficient and productive forms of organisation. The
changes also meet workers' expectations in terms of having more leisure time and
being able to reconcile family and work responsibilities more effectively.

One issue raised by these developments, however, is the new balance to be struck
between working time flexibility and employee protection. Insecurity may stem both
from employment periods and from the employment contract itself. Discussions are
focusing more and more on the need to consider fragmented periods of working time
from a general vocational point of view, including periods spent acquiring new
knowledge and skills.

The working population in Europe (i.e. 61% of people of working age) works an
average of 1 660 hours a year, corresponding to a full working lifetime of around
70 000 hours. This quantity of work may be managed in various ways, having regard
to two questions to which all the EU Member States have tried to find answers.

The first question has to do with the flexibility of working patterns and hours. The
burgeoning areas of part-time work (17.4% of employment in 1998) and weekend
working indicate a trend towards individualisation of working time and patterns. The
many possibilities for taking a career break (training leave, sabbaticals, parental
leave, etc.) provide further scope for arranging one's working life.

The second question has to do with the reduction of working time, either in the form
of maximum weekly and annual hours or in the form of early retirement. There is
clearly an ongoing long-term trend towards shorter working hours. The current
technological revolution, bringing with it significant productivity gains and
heightened aspirations for a better quality of life, has given fresh impetus to the
debate.

The Community approach in this field has been geared to protecting employees
against risks to their health or safety. More recently, the social partners' framework
agreement on part-time employment contracts endorsed the principle of equal
treatment. The social partners in the agricultural sector have, moreover, negotiated a
reduction in annual working time as part of a process to improve the organisation of
work and promote employment. Such developments show how this issue is being
addressed at Community level and give some idea of the far-reaching economic and
social implications of discussions or measures dealing with the duration and
organisation of working time.
Social dialogue at European level

The European social dialogue has been instrumental in smoothing out cultural differences with regard to industrial relations. Bipartite bodies set up from 1985 onwards at cross-industry level, extending gradually to a number of sectors, have provided a forum for experimenting with 15-strong negotiating teams and for clarifying the ground rules.

In this context, it is essential to get the social players at European level structured properly. Aspects of representativeness and delegation of authority have been central to the debates conducted in the wake of the entry into force of the Treaty on European Union (“Maastricht Treaty”). With discussions continuing on these issues, the response from the social players themselves has been extremely encouraging.

The social dialogue has now reached the point where it must focus on the partners’ ability to seize the opportunities afforded by the Maastricht and Amsterdam Treaties. On matters which are vitally important to companies and workers, such as information and consultation, skills acquisition, lifelong training and mobility, it is necessary to modernise the existing provisions, taking into account the rapid introduction of new technologies, the growing need for business flexibility, and the desire on the part of workers for further qualifications, mobility and a better balance between working and family life.

It can be seen from the slowly emerging forms of cooperation at European level that the social players are increasingly taking account of the European dimension and, in a number of cases, are using or creating the new tools needed for action at this level.

Nowhere is this clearer than in the case of transnational companies where, under the impetus given by Directive 94/45/EC, more than 600 agreements setting up mechanisms for informing and consulting employees have been signed. Lending a new form to European social dialogue, group works councils help to foster exchanges of views and discussions which are essential for the development of a multinational understanding of industrial relations. In years to come, these group works councils could provide the proper forum for addressing issues such as mobility, transferability of rights and equal opportunities.

The sectoral social dialogue is gradually taking shape, with a voluntary bipartite dialogue process currently being developed in 24 sectors at European level. In traditional areas, where common Community policies have been applied for a number of years, or in the emerging sectors, the social players are seeking forms of cooperation at European level. In most cases, the initial dialogue is geared to identifying relevant problem areas for the social dialogue and trying out a common “vocabulary”. This explains why, at the present stage, commitments resulting from the sectoral social dialogue are still thin on the ground.

The sectoral element is no less crucial. It is, in many Member States, the bridgebuilder of collective bargaining, allowing the specific features of each area of activity to be taken into account while determining the general conditions in which industrial relations can flourish. At European level, agreements on the reduction of working time (agriculture – July 1997) and on the organisation of working time (maritime transport – September 1998, railways – September 1998) have been signed.
In a number of sectors affected by a rapid process of restructuring, the social partners are becoming increasingly aware that Europe is the most suitable arena for dealing with the changes and for taking the necessary action. With new areas for discussion now opening up, such as the social impact of the emerging information society and teleworking, the social partners in many sectors are discussing ways of providing more support for developments at national level.

The cross-industry social dialogue comprises two elements: tripartite concertation and autonomous bipartite dialogue. Born of a strong political will to have the social partners more centrally involved in the ongoing process of European integration, the desired effect has been achieved.

Established initially in an advisory capacity (cross-industry advisory committees), tripartite concertation was strengthened in the 1970s (setting up of the Standing Committee on Employment and organisation of tripartite conferences), with the focus on matters relating to employment. Tripartite discussions have taken place on such issues as the acquisition of vocational training, improvement of young people’s access to the labour market, equal opportunities for women and men, and integration of the long-term unemployed, leading to conclusions which indicate that there are broad areas of consensus.

The tripartite concertation process was recently regenerated with the introduction of the European employment strategy and discussion of the employment guidelines, resulting in consolidation of the forums for concertation and creation of new structures.

Technical aspects of the employment guidelines are regularly discussed by the “Employment and Labour Market” Committee and the social partners. Economic policy coordination and closer interaction between wage trends and economic, budgetary and financial policy are discussed from the technical and policy-oriented points of view within the framework of a “macro-economic dialogue” established by the Cologne European Council. Half-yearly meetings within the Standing Committee on Employment and with the Troika of heads of state and government give Europe’s social partners the opportunity to discuss economic guidelines and employment policies and their interaction.

The institutional avenues open to the social partners from the outset enable them to take a proactive stance on two key aspects of Community action: coordination of economic polices and implementation of the European employment strategy.

The bipartite cross-industry social dialogue or “Val Duchesse” social dialogue has played a key role at European level, providing a springboard for engaging in dialogue leading to agreement-based outcomes. This approach, adopted in 1985 by UNICE, CEEP and the ETUC, has proved fruitful, resulting in the role of the social partners being recognised in the Treaty (Articles 138 and 139). The organisations involved in this dialogue are able to explore and discuss together the key issues to be addressed in the building of Europe: the setting up of a cooperation strategy for economic policies; the completion of the Internal Market; the implementation of the Social Charter of the Fundamental Rights of Workers; and the progress towards economic and monetary union. On these matters, thanks to their dialogue, the social partners in Europe have been able, at Summit meetings or through the adoption of
opinions and recommendations, to influence recent developments and play a part in establishing policies.

The most striking manifestation of this influence occurred at the 1991 Intergovernmental Conference, in the course of which a contribution by the social partners (agreement of 31.10.1991) served as a basis for drawing up the new Treaty articles stipulating the role of the social partners at European level.

The entry into force of the new provisions in 1993 launched the cross-industry social dialogue into a new era. The social partners’ right to be consulted on proposals in the social field and to opt for agreement-based rather than legislative measures now makes them central players in the European social arena. The “joint opinions” period has thus gradually given way to the negotiation of European framework agreements.

Three framework agreements have been signed since 1995: parental leave (December 1995); part-time employment contracts (June 1997) and fixed-term employment contracts (March 1999). The significance of this development is that it constitutes a first step in the use of the innovative provisions of Articles 138 and 139 of the Treaty, placing the social partners in a position to determine, on their own initiative, subjects of common interest which they wish to address in future negotiations.

Community social law

The scope of European social policy has widened and diversified over the lifetime of the Community. The initial efforts to establish an area of occupational mobility have been supplemented by provisions aimed at combating distortions of competition, promoting equal opportunities for women and men, and improving health and safety protection at the workplace. The progress made most recently on the institutional front means that the European social sphere now encompasses employment-related aspects, especially efforts to combat discrimination.

Community social law nowadays focuses on four main areas: freedom of movement for workers; labour law; equal opportunities for women and men; and protection of health and safety at the workplace. Community proposals in these areas are designed to establish new rights on transnational matters (freedom of movement; European works councils; posting of workers) and to determine minimum entitlements without prejudice to more favourable provisions at national level.

The task of incorporating the guidelines laid down by Community Directives into national legislation or collective agreements is an important facet of European social law. Besides monitoring and evaluating the situation, the competent national authorities need to interact with one another. An increasingly important challenge lies in ensuring that Community social law is properly understood and applied.

The practice of informing and consulting employees is widespread in Europe. Companies anxious to capitalise on the motivation and commitment of their staff, and aware that this form of dialogue is a source of innovation and improvement in the organisation of work, have generally developed on a voluntary basis mechanisms for informing and consulting their staff. Provisions introduced at European level have sought to clarify the conditions governing employee involvement and the level at which it should occur. The first “labour law” directives in the early 1970s made it
compulsory to inform and consult employees about major economic upheavals: “collective dismissals” and “transfers of businesses”. Council Directive 94/45/EC of 22 September 1994 made it obligatory to inform and consult employees within European groups employing more than 1 000 people. A more recent proposal is aimed at extending this obligation to all European companies with more than 50 employees.

The approach adopted at Community level is designed to place greater emphasis on national practices in the face of internationalisation (information on the European group’s strategy enhances the information supplied locally) and to promote equal treatment for workers and companies. In a period of radical and rapid structural transformation, with European companies having constantly to adapt and reorganise, it is essential that the social impact of change be taken into account.

Steps are currently being taken at national level to redefine the internal ground rules applying to the different levels and areas. Occurrences on two fronts will have an effect on collective bargaining: a trend towards greater freedom at decentralised levels vis-à-vis the standards and guidelines negotiated centrally, and broadening the scope of negotiations.

Some clarification is still required as to where the European dimension fits into the scheme of things. The multi-layering of negotiation on the same topics – the European framework being interpreted nationally, then consolidated at branch or company level – would lead to very general guidelines being laid down at the highest level. A central task in this context is to find ways of achieving complementarity between the levels.

A trend towards the coordination of collective bargaining at European level is emerging in the light of certain recent developments, whether in the form of decentralised initiatives or initiatives taken by European social partner organisations. This applies particularly to trade-union action in connection with wages in cross-border regions. More generally, there is now an increasing spread of issues and practices, and ever-growing awareness of being part of the Union in national or decentralised discussions between the social partners.

Practices governing the framework of dialogue, the outcome of collective bargaining, the conditions for collective action and the arrangements for resolving conflicts are, however, still determined at national level. European law is not applicable to such matters, which are underpinned by strong national traditions.

**Social pacts for employment**

In the 1990s, tripartite pacts or agreements for employment were signed in many Member States. The growing influence of the tripartite approach with regard to matters concerning employment promotion, control of inflation and modernisation of social protection systems marks a new stage in industrial relations in Europe.

Through the social pacts, the partners are required to turn their attention to areas traditionally reserved for public action: employment-oriented policies and economic policy guidelines. On the other hand, they undertake to negotiate, beyond their contractual autonomy, framework guidelines for wage trends or changes in the operation of the labour market.
The efforts invested by the Member States in conjunction with the advent of economic and monetary union would undoubtedly not have been possible without partnership and without input from the social partners in their own spheres of competence.

Over the last few years, this partnership-based approach has been pursued by a number of Member States engaged in the negotiation of “second-generation pacts”, with the objective of preparing for and mastering current developments: globalisation of markets, increasing competition and demands of competitiveness; growing influence of the information society and lasting transformation of production methods, consumer habits and lifestyles; demographic ageing and new inter-generational compromises resulting therefrom; development of working-time flexibility and the question of continuity of rights in the event of career breaks and job changes.

Against this backdrop, the social dialogue is taking on fresh significance. As a key instrument for involving representatives of the working population in decisions which affect them, it has become the forum for airing a wider range of views and expectations held by society generally.

The trend towards adopting social pacts at national level has given rise to a parallel approach at Community level. The European employment pact, the draft of which was launched at the Cologne European Council, seeks to reproduce on a Europe-wide basis the highly positive dynamism set in train in many Member States.

If it is to succeed, the partnership-based approach at European level needs a strong commitment from everyone and from the social partners first and foremost. It demonstrates, alongside the other aspects emphasised in this report, what is really needed to boost industrial relations at European level.