



**5<sup>TH</sup> EMF COLLECTIVE BARGAINING CONFERENCE**  
***“A common demand for a common future”***  
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## **POLITICAL EVALUATION OF THE COORDINATION RULE**

### **Political and economic development**

The metal industry has fast become internationalised, and this can be seen at the work-place in the form of acquisitions, mergers and increased international activities. As a result of this development even the defence of interests is becoming more internationalised, and trade unions in Europe must continuously evaluate their activities in relation to the changing situation. The global market brings out new challenges and the trade union movement also has to respond to them. Central Europe has many years of experience regarding the movement of labour and this experience can be used by every country in Europe.

The harmonisation of legislation is increasing and the reform of legislation is mostly due to European directives. Since the beginning of the year 2002 it has been easy to compare costs because the Euro has created a common cost-base for company-specific information. It is now easy to discuss and to compare wages and salaries, labour costs, the balancing of accounts and other company-specific costs. At the same time there are increased requirements for harmonisation of the conditions of employment and legislation concerning employment.

### **Implementation of the wage norm**

In 1998 agreement was reached in Frankfurt on the European wage norm for the metal industry and on the use of cross-border co-ordination in connection with collective bargaining and its preparation. The intention was to strengthen collective bargaining co-ordination between trade unions and to prevent negative competition with regard to wages.

The European wage norm was previously known in many countries. It is the traditional model for calculating wage rises in incomes policy, according to which the central rules in wage policy are international inflation and the increase of productivity. According to this rough wage norm, the income distribution between work and capital remains unchanged when labour costs (i.e. agreed rises and wage drift, social costs and compensation for shortening of working hours) rise as much as the sum of productivity and inflation.

In 1998 it was decided to establish regional collective bargaining networks within the EMF. Regional networks have been created all over Europe and the participation of observers and the exchange of data and information have become a daily routine. It should be noted in particular that these networks do not focus on collective bargaining issues alone but increasingly also on concrete issues with regard to both company-level and trade union worker representation within transnational companies in order to provide cross-border support. Reporting in the EMF Collective Bargaining Policy Committee should devote more attention to these networks in future.

### **Main aims of the EMF**

The main aims and objectives of the EMF collective bargaining strategy are the improvement of working and living conditions of metalworkers, the co-ordination of national collective bargaining policies and the development, enhancement and promotion of an active European collective bargaining policy. EMF co-ordination in these areas will ensure better employment, social welfare, working conditions and a fairer and more consistent distribution of income.

The introduction of the European Single Currency has strengthened the European internal market and has increased the use and importance of decision-making at European level. Consequently, we have seen a higher level of European and transnational influence on national collective bargaining processes. This trend will become more prominent and noticeable in the future.

The new member countries from central and Eastern Europe bring a different collective bargaining culture, attributed to 50 years of Communism and a subsequent decade of transition. The profound restructuring and economic recession has limited the room for collective bargaining and subsequently, with the exception of Slovenia and Slovakia, sector bargaining is mainly squeezed between central tripartism and traditional enterprise bargaining.

Increased competition at a European and global level has posed a threat to collective bargaining results and structures in Europe. Strong national trade unions and co-ordinated collective bargaining strategies are still the best and only viable answer to the corresponding danger of social competition, wage dumping and a negative downward spiral of wages and working conditions.

### **The social dialogue**

In the EU consultation and bargaining is called the social dialogue. It covers negotiations and agreements between employers' and trade union organisations as well as tripartite negotiation and agreement procedure with the Commission and/or the Council.

The European Trade Union Confederation (ETUC) has suggested to the EU Convention of the future that labour market terms be specified so that:

- the term "tripartite cooperation" would be used for exchange of opinions between labour market organisations and the EU institutions;
- the term "hearing of labour market parties" would be used for the joint handling of issues in consultative committees as well as for official hearings of organisations according to article 137; and
- the term "social dialogue" would be used for bilateral negotiations between labour market organisations, either initiated by the Commission or otherwise.

## **Central trends of change during the last decade**

The views of trade union, economics, as well as university and research institute, experts on last years' development and its effects nationally and internationally were mapped out by interviews. The results of the discussions have been grouped as changes in economic policy as well in social policy, and in changes in the trade union movement and its co-operation groups.

Globalisation and the liberation of world trade have been the factors which have had the greatest impact on developments. The financial market, company strategies as well as the economic and social systems have changed, and a completely new IT branch has been developed. This development has led to the need for adaptation, and the trade union movement has had to respond to the needs. Many say that the big EU countries do not always accept the need for adaptation to the same extent as the small member countries must do.

Among the big changes one can mention are the internal market, Economic and Monetary Union (EMU) and the common currency, the Euro. Even the social protocol which is part of the Maastricht Treaty was regarded as an important change, and it can be considered to be a tremendous achievement on the part of the ETUC.

Many people recognise that the European and American social models are fighting for the ruling position. There is also the question of the survival of the European welfare society.

During the last few years trade union cross-border co-ordination and co-operation have increased considerably. International activities have at the same time moved more and more to union and company level due to for instance to European Works Councils. At company level in particular one is dealing with concrete issues which are close to the employees, such as wages and salaries, working conditions, training and education, and so on.

Some European countries are quite closely linked together. In some minor national economies, i.e. in Belgium, it has long been axiomatic. The co-operation at EU level between employers and employees has developed and enlarged, but it has not had any effect on the activities at national level.

There is frequent experience of the fact that the preparation of laws and agreements at EU level is slowing down the negotiations at national level due to the fact that one or another part refers to the EU preparations.

The social dialogue has become an important part of European co-operation and the Commission plays a central role here. The Commission has committed itself to the dialogue, and via this the political influence of labour market organisations has become quite considerable. The situation depends, however, on the composition and the political will of the Commission.

The employers' role is traditionally one of opposition, and they will not enter into a social dialogue unless forced to do so, or if there are clear economic or other reasons that have to do with the activities of their companies. They want to keep collective bargaining at national level or increasingly within companies.

It is, however, clear to the trade union movement that the social dialogue is needed at European level. The trend goes irrevocably in that direction. Many issues are shifted to the European level, and formally-acceptable structures are needed to deal with them so that the membership will adopt the results. In order to increase the social dialogue the trade union movement must be able to challenge the employers, even if the companies do not want to go any further for the time being.

## **Wage coordination and cross-border cooperation**

At its 9th statutory congress (1999) the ETUC decided to start co-ordinating European collective bargaining policy, and set up a new collective bargaining committee for this purpose which consists of representatives of the affiliates and the industry federations. The ETUC Executive Committee adopted the European principal directive for the co-ordination of collective bargaining policy in November 2000.

In the ETUC annual report (2001) it was stated that the synchronising of collective bargaining has already become obvious, and in many member countries this development is described as "the spring of collective bargaining". The trade union movement has paid great attention to wage comparison, and the ETUC report stated that a major part of collective agreements had been concluded under the calculatory level of the wage rise model. Collective agreements that go under the level of the wage model have been justified for instance by the fact that the agreements have included other cost-raising items rather than wage increases alone. Another justification that is often heard has been the poor employment situation in the country.

The EMF and other European unions have been very active in this area for many years and there has been national wage co-ordination and cross-border co-operation in the various European countries for several years.

Wage co-ordination includes national social packages between government and labour market parties. It includes close cross-border co-ordination between neighbouring countries. EWC activities at company level are a good example of this. It has become tighter and more open, as well as more concrete.

International co-operation has increased the strength and influence of the trade union movement even nationally. The labour market parties have an important position in the EU.

Co-operation between employers and employees at European level has improved, but this has no effect at national level. As mentioned above, the handling of issues at European level is slowing down national actions.

Some practical examples of regional collective bargaining networks:

Germany - Nordrhein-Westfalen (West)	Belgium, the Netherlands and Luxemburg
Germany - Coast (North)	Denmark and Sweden
Germany - Frankfurt (Southwest)	France
Germany - Bavaria (Southeast)	Austria, Slovenia, Czech Republic, Slovakia and Hungary
Germany - Berlin-Brandenburg-Sachem (East)	Poland and Czech Republic
Germany - Baden-Wurttemberg (South)	Switzerland, Italy and Austria
Germany - Hanover (Middle)	England
Nordic Metal	Finland, Sweden, Denmark, Norway and Iceland

### **The effects of the wage rise model (productivity + inflation)**

From the beginning, i.e. since 1998, the most important thing has been to avoid negative wage competition. The intention was to give the trade unions instruments for comparing wages between various countries. The wage model is needed in order to steer and to follow-up long-range development. It is part of a process which supports a correct cost development.

Sometimes it is difficult for the unions to attain the wage model, as there are numerous problems to be solved during every collective bargaining round and a long-range wage policy line is not always suitable for these needs. It is generally accepted that the average achievement of the wage norm must be examined over periods of several years.

The study showed that the wage model is not used anywhere as such, but that nearly all countries try to conclude agreements at the same level. The wage model is used in order to prevent negative wage competition, and when it functions in this way it is considered to be necessary.

Most people think that the wage model should be flexible (a so-called tube model) and, when in use, such applications should be accepted where the agreement solutions are close to the calculator goal of the wage model. If the wage agreements remain very much under the wage model for many years, the trade unions should react. According to statistics the wage solutions in the various countries of Europe have come closer to each other even if there has not been any co-ordination of pay rise goals in the trade union movement. In practice, the wage model can be a minimum in one country and a maximum in another. The wage model is regarded as an important political signal for the trade union movement's wage line.

In this respect it is noteworthy to mention the one moment where the wage coordination rule was used very openly, very publicly and with a co-ordinated European approach. During the strike in the German metal industry in 2002 a European press conference was organised in Frankfurt at which the General Secretaries and Presidents of several European trade unions declared their solidarity with IG Metall and underlined the importance and strength of the EMF wage co-ordination rule. This was a clear example of how this instrument could be used as a major political tool.

### **Co-ordination and achieving it**

It is generally noted that European co-ordination is needed, but well-functioning national co-ordination is required in order to have success at European level. There are many countries where national co-ordination does not function very well and the consequence is that co-ordination at European level is difficult as well.

Co-ordination at European level can be conducted as follows: First the co-ordination of demands, secondly, negotiations on the basis of common general demands, and finally dealing with national negotiation results in the EMF. Thereafter a decision can be taken on final acceptance of the bargaining result.

Well-functioning co-ordination would mean reconciling various issues in the framework of existing realities, to define goals, to act in co-operation and to ensure follow-up. Advanced co-ordination could include development work between bargaining rounds and far-reaching integration development.

### **Inter-company co-operation (EWCs)**

A major question of principle is whether EWC groups can negotiate a company-specific collective agreement. Many think that the answer depends on the level of consciousness and unionisation of the employees in the company. In theory it is possible - at least in those companies where the trade union movement is not strong enough to prevent it - but it has to be noted that no legal framework exists for this so far at European level. This results in the fact that an eventual agreement would currently still need to be implemented in the national systems.

The present EWC agreements are not entirely satisfactory. It is, however, difficult to renew the agreements as the works council members do not want to take up this disadvantage due among other things to their fear of losing the established co-operation relationship.

There is no country where the works councils would be completely controlled by unions. EWCs are seen as some kind of competing structure to the unions, and all the more so as more company agreements are concluded. The works councils can become independent actors, and they could undermine existing collective agreements. Even negative competition can actually arise between companies. The general opinion is that trade union representatives should be able to participate in the works' councils negotiations and that the work in the EWC should be close to collective bargaining.

The European Works Councils have different means of action and different cultures. For example the Finnish works councils have been built on the national co-operation model, whereas there are works councils in Europe, i.e. in Germany, which clearly negotiate on some collective bargaining issues and participate in the management of the company.

Works councils in some big groups of companies have already agreed on some collective bargaining issues. Typical agreements cover information, employee participation, the rights of trade union representatives, equality and unemployment or employment. So far, there are only a few references to working hours and nothing regarding wages and salaries.

The ongoing development can either strengthen or weaken the national trade unions depending on their reactions to the change and on their ability to give sufficient support to the work of their shop stewards. Co-ordination of the work of the multinationals is regarded as necessary in the future - and already today. However, efficient organisation of this co-ordination is still incomplete.

In many countries persons in positions of trust in big companies are far more used to international co-operation than the leaders or officials of their respective trade unions. In practice they do cross-border work for the defence of workers' interests almost daily.

### **Political development and the challenges for the trade union movement**

Important economic and political changes have taken place during the last decade. They have had an impact on the work of the trade union movement, too. Globalisation, European integration and the joint currency Euro are reflected in Europe in many ways, but the effects vary from country to country.

Political and social development in the European Union is lagging behind economic integration. Economically, the results are substantially what European companies had wanted to achieve. It is obvious that many politicians think that there is no need to further develop political integration.

It is the task of the political left-wing and the trade union movement to enhance social development and an equal welfare society. The labour market parties have an important role in the building of an economically and socially strong Europe and European collective bargaining policy has a key position in that development.

The European trade union movement faces many challenges: European legislation, social dialogue, joint currency, supporting economic growth, employment, a wage policy that holds back inflation, opening borders, EU enlargement and furthering international stability.

## **European collective agreements**

When speaking of collective agreements at European level, there is a basic open question concerning which collective agreement model? which negotiators? and their mandates.

The most common estimation is that the national collective agreements will still remain primordial for a long time and agreements at European level are complementary to national bargaining policy. The reasons are many, including the great differences in wages, productivity, prices and cultures between EU countries. There are many differences in legislation which influence the concluding of European agreements, such as taxation and social security, especially that related to unemployment.

On the other hand we see a cross-border development of co-operation, co-ordination and other aspects. This development creates possibilities and increases the pressure to develop collective bargaining at European level.

The EMF has to consider its own model of action with various employer groups, such as the metal industry (CEEMET), the steel industry, the shipbuilding, car repair and ICT industries.

When this development continues, one question that must be solved is that of negotiation mandates. The final discussion about giving the mandate, negotiations, the adoption of agreements, the right to strike and strike support, etc. still lies ahead.

When negotiation relations develop one has to consider the roles of the EMF's Collective Bargaining Policy Committee, its Industrial Policy Committee and European Works Councils.

One problem is how to introduce the solutions that are agreed on Europe-wide in the different member countries. Adequate rules regarding how the agreements should be implemented are inexistent.

A mediation system is part and parcel of a well-functioning bargaining system. There has been talk of a voluntary conciliation system (the Belgian model), which has no juridical effect. Even if it were to come about, it will not be sufficient if normal bargaining systems are followed.

The EMF already negotiates by participating in the negotiation groups of the ETUC, but there are hardly any direct negotiations with the European employers' organisation CEEMET. Maybe it will be possible in the coming years to discuss some principles and common opinions, like life-long learning, but nothing more.

## **Conclusions**

### **1. Difficult development**

Over the last few years we have seen very difficult developments all over Europe. Employers have attacked the unions and they have demanded more flexibility in wages and lower wage increases than ever before. This started in Central Europe but it has expanded to all countries as well - to Scandinavia as well as to other European countries. The EMF is very well aware of this issue and we have tried to find our own strategy in this difficult situation. The conclusion is that we must continue trying to establish more solidarity and new ways to help our members. This activity will be one of the most important issues over the next few years.

## 2. Eucoba

The Eucoba system is developing and improving all the time. We have obtained more and more information about different countries and there is always something important or interesting going on. Eucoba is still not perfect but this is the right way to keep everyone in the European unions informed. However, we need more active contact persons in every country because Eucoba is nothing without the right information.

Future co-operation is very important for both practical and political reasons. Our statistics must be right and sufficiently detailed because it is very difficult to negotiate with employers without reliable facts.

## 3. European networks

European networking is going on at company level all the time as regards practical issues but not so much as regards negotiating matters so far. The EWC is the level where things happen first, and this means that we must be aware when these groups start to negotiate about the right collective bargaining issues.

It seems we should do more in this field because in future agreements will be more and more frequently negotiated at company level. Then we will need new networks for helping the national unions.

## 4. National cross border co-operation

It is surprising to note that this transnational co-operation has not been increasing. We have not really seen anything new in this field. It currently seems that this kind of co-operation is possible only if companies are situated closely to one another and if workers really have the same problems and can do something together. For example: if they have the same employer or similar products or workers move across borders all the time, then shop stewards need co-operation and think it is reasonable to try to find solutions together

## 5. Transnational actions (Frankfurt Declaration)

Transnational action and support is more and more important but it is very complicated area too. It is not easy to go on strike in other countries and thus try to help workers in a union in a different country. We have had very good example in the Paper sector in Finland. The Finnish Paper sector negotiated and tried for many months to arrive at a new collective agreement. Many European Paper Unions promised support but it was only in Sweden that workers could legally go on strike. In principle almost everybody say that solidarity action is a good idea, but when they have to do something concrete it is suddenly not easy anymore.

## 6. Transnational collective bargaining

In principle the system of transnational collective bargaining is clear but in practice it is a very complicated and difficult issue. It seems that the trade unions do not really want to transfer their bargaining power to the EMF. The right to negotiate is the most important issue for all unions in all countries. So far, no-one believes in European wage solutions.

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