THE ECONOMIC CRISIS OF THE EU AND THE EURO

HOW TO STRENGTHEN THE ROLE OF SOCIAL ACTORS IN ORDER TO EXIT THE CRISIS?

10TH BIENNIAL EUROPE WORK EMPLOYMENT
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WORKSHOP DOCUMENT

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SUMMARY

INTRODUCTION

It is striking how the Lasaire's biennials have always been held at a critical moment in the construction of Europe. Today, the 10th edition is being held against the exceptional background of an unprecedented crisis for the EU and for the euro. For Lasaire, this observation is all the more serious, as behind it lurks the crisis of the social model which has hitherto constituted the originality of Europe as a whole.

THE CRISIS CONTEXT

Initially an economic then a financial crisis, then the "subprime" crisis coming from the US, the crisis rapidly became that of sovereign debt, shaking the banking system by way of aftershock. This gradual contagion actually confirms Lasaire's analyses which had already pinpointed the profound causes: the financialisation of production, the deregulation of finance, and the sharing of added value to the detriment of wages and productive investment. This multiform crisis is actually the result of a growth model based on private then public debt that has reached its limits. It is a systemic crisis of capitalism. And yet, decision-makers have failed to see the proof that the neoliberal paradigm has collapsed. By the same token, the therapy devised solely to save the financial system (and not to rebuild growth) has consisted of passing the burden on the taxpayers and wage earners.

The governments and the European Commission have thus stepped up initiatives to rebalance the public finances of indebted countries and to restore market confidence. However, along with these plans, a set of measures has been introduced on the sly. These measures challenge the collective bargaining in force in the Member States. All these measures, in fact, not only reflect a determination to meet the financial demands to the detriment of wages and social protection, or even of investment, but even more seriously, they constitute an attack on the independence of the social stakeholders and of collective bargaining.

Challenging the national systems of social relations

The strongest attacks against the national models came first from the "Euro Plus Pact," adopted by the heads of state of the Euro zone in March 2011, to *strengthen the economic governance model* that already existed in the EU. It enjoins the Euro zone countries to *re-examine the mechanisms for fixing salaries and the degree of centralisation of the bargaining process, as well as the indexing mechanisms.* Already detrimental to the independence of collective bargaining, this measure is exacerbated further by the reform plans imposed on countries in difficulty by this far from reassuring institutional innovation which the Greeks have christened the "Troika,"[1] each bringing its weight to bear on the social legislation of the countries, challenging the role of bargaining and of social stakeholders, as seen particularly in Greece.

Within the Troika, the Commission's Directorate General for Economic and Financial Affairs (DG ECFIN) seems to be the most compliant with the ultra-liberal canon in its determination to reform the labour markets, eliminate social tradition and in brief organise deregulation. This is how under pressure from this technocracy, the government in Greece was forced to pass a law that cancels collective bargaining agreements. In the retrospect of recent years, it

[1] The "Troika" is a term used to designate the emissaries of the EU (DG ECFIN), the ECB and the IMF, who go to indebted countries to offer loans and to impose heavy structural reform plans.

becomes significant that the Commission's Directorate General for Economic and Financial Affairs has widened the scope of its prerogatives to the detriment of the Directorate General for Employment and Social Affairs. The rapport between the two was thrown out of balance as soon as the effects of the crisis began to be felt. The Directorate General for Employment and Social Affairs has henceforth little say on questions relating to the social dialogue, which nonetheless fall under its remit. None of the institutional stakeholders concerned seems to react to this encroachment by DG ECFIN, other than the European Parliament. Trade-unions and ETUC have protested. There are also employers' officials in Greece, in France[2] and undoubtedly elsewhere who remain attached to the independence of collective bargaining and who fear the adverse effects of these measures.

The economic and financial plans are widely known and discussed, but the reforms aimed at diminishing the national bargaining models are being introduced surreptitiously. At a time when these reforms are challenging the social dialogue in the Member States, the fundamental issue of the place and role of the social stakeholders must be addressed. This is the ambitious yet essential objective that this biennial has set.

10TH BIENNIAL

This 10th biennial follows the path charted by the previous session in 2008. As in that edition, it is focused on the crisis already faced at the time, albeit not as urgent as today. It has had to adapt constantly to increasingly less foreseeable turns of events. In 2008, the biennial had concluded by calling on the then French Presidency of the European Union to take action. A memorandum ensued that proposed, among other recommendations, the establishment of mechanisms to promote the coordinated and controlled development of wages in the Member States and the presence and role of the social stakeholders in the real places of decision-making.

In this 10th biennial, four topics have been opened up for discussion:

Topic 1 : crisis – financiarization – what consequences for the European social model
Topic 2 : European wages negotiations : competition or convergence
Topic 3 : the Europeanisation of social democracy
Topic 4 : regions of Europe, sustainable development, democracy

The 10th biennial is to be held in two steps, first in Athens in November 2011, and then in Paris in January 2012. It plans to examine the immediate impact and the longer-term consequences of the crisis, by asking two basic questions: First, how can the role of the social stakeholders be strengthened so that they can participate in the search for solutions to get out of the crisis, particularly in order to save jobs and social attainments. This will entail examining how to preserve or regain the status of social stakeholder in the full meaning of the term, i.e. to prove the legitimacy of such stakeholders by imposing real negotiations, of which the technocracy wants to deprive them. Second, to convince the national social stakeholders of the need to broach the very issue of wage bargaining as an essential path to get out of the crisis and to rekindle economic growth.

[2] Laurence Parisot, president of MEDEF, recently declared that "the State must not meddle in everything," and defended the independence of the social dimension in the face of its political counterpart. (cf. Le Monde, 15 December 2011)

Meeting in Athens

Two topics were broached.

1)The crisis:

the discussion focused on the bias to promote austerity policies, which are certainly bound to kill growth and to sacrifice economic development. The medicine is turning out to be worse than the disease inasmuch as it leads the country to recession. Furthermore, to restore competitiveness without affecting the exchange rate, imposed "structural reforms" are actually aimed at an "internal devaluation," (i.e. a direct cut in wages in the public and private sector) as well as at social protection (indirect wages). Yet, whereas the sharp wage decrease was organised, there was no perceptible drop in prices which was supposed to accompany the process. And how does it make more sense to reduce wages in countries in deficit than to increase them in countries in surplus?

2) Wage bargaining in the Member States

The discussions conducted in Athens made it possible to gauge the afore-mentioned social decline. The Greek participants for instance described the systematic intervention by the Troika to uproot the system of labour relations in place. The Greek government was thus called up to disrupt the sectoral bargaining system and to repeal the procedure for extending collective bargaining agreements[3]. The Greek trade unions nonetheless lodged a complaint with the ILO, considering that the austerity plans were putting fundamental rights to question. An investigation is being conducted in the Commission.

The participants from Spain, Italy and Portugal cited similar situations. In Italy, the social stakeholders had serious difficulties in finding out about a letter from the ECB enjoining the government to decentralise the wage bargaining system to bring it to the company level and to reform the hiring and firing rules – two areas traditionally independent of State intervention. For their part, the German trade unions, as pointed out by their representative, Klaus Mehrens, reaffirmed their commitment to the independence of the social stakeholders and the sectoral collective bargaining system, because for them, these are fundamental democratic rights and to limit them, however little, would be considered as an attack against democracy. Underscoring forcefully that the German trade unions do not share – far from it, in fact – the position of their government, Klaus Mehrens called for European coordination to define wage bargaining standards that include, in the very least, inflation and productivity gains, as well as the fixing of a minimum wage in every country. Finally, he called for a solemn appeal to the governments to respect what is known as "central" bargaining, i.e. sectoral wage bargaining. This is actually the foundation of social democracy and the guarantee for competitiveness which does not make competition between companies conditional on the wage factor.

Meeting in Paris

The meeting in Paris will resume and continue the discussions initiated in Athens on the analysis and developments of the crisis as well as on the underlying challenge to the European social heritage. This will be the topic of the first discussion entitled: "The crisis and

[3] However, after trade-union mobilisations, the general cross-sector agreement that set the minimum wage is still applied.

financialisation: What are the consequences for the social development model and for democracy?"

The two other discussions that will follow will broach topics already discussed at the 9th biennial, because Lasaire attaches particular importance to them. These topics are in line with the long trends in the construction of Europe: the role of works councils in the appearance of bargaining in transnational corporations (topic 3), and the role of the European regions (topic 4).

Entitled "the Europeanisation of social democracy," the discussion about topic 3 of the meeting will focus on the bargaining activity at European level. The subject of discussion at many biennials which each time reported advances, the European social dialogue has recently produced few new agreements, whether at the cross-industry or at the sector level. We have therefore zeroed in on another form of bargaining, transnational collective bargaining, which is being developed in multinational companies established in several Member States. In this roundtable, the discussion will afford an opportunity to reiterate that the negotiation of these new transnational agreements which do not concern wages cannot replace collective bargaining at the national sector level, which is the foundation of most national systems. It has its own dynamic and can also feed and stimulate European sectoral bargaining.

Finally, the discussion on topic 4 "European regions, sustainable development, and democracy" will afford an opportunity to assess how local stakeholders can intervene concretely in territories in difficulty and to examine the role that they can assume in the search for new development strategies. It will also entail defining a way to reconcile a certain degree of competition between the territories with the search for cooperation in the EU.

The final discussion will recapitulate all the issues broached in Athens and in Paris and will try to imagine the means by which the social stakeholders could call on their national governments, all of which, let us not forget, have signed the Euro Plus Pact. Behind this effort to be heard, the social stakeholders are asking the most serious of questions, namely which economic policy should be implemented henceforth in order to get out of the crisis. Will an economic government be established for the Euro zone? Albeit established, this must not however lose all contacts with the democratic legitimacy of each of the countries that will be involved. This means that the social stakeholders must take part in the decision-making process. Isn't there a risk of lending support to what many observers are already calling the post-democratic temptation, under the guise of emergency?

FOR THE STEERING COMMITTEE
ANNE-MARIE GROZELIER

20 DECEMBER 2011

KEY TOPIC – Workshop 1

THE CRISIS AND FINANCIALISATION: WHAT ARE THE CONSEQUENCES FOR THE SOCIAL DEVELOPMENT MODEL AND FOR DEMOCRACY?

The crisis and financialisation: What are the consequences for the social development model and for democracy? The key topic of this biennial was already discussed at the Athens seminar in November 2011 which paved the way for the Paris meeting in January 2012.

It is worth going over briefly the sequence of events that led to the crisis: the widening inequality gap in most countries (denounced by the ILO and the OECD); the rise in tensions in 2007 on the American and British housing markets; the outbreak of the financial crisis on the day that Lehman Brothers went bankrupt, i.e. on 15 September 2008; the paralysis of the interbank market and its threats on credit; the massive (rather well coordinated) intervention of the central banks; the crippling disruption of international trade and business investment; the deployment of (rather poorly coordinated) budget policies as a substitute for private demand; the G20 meeting intended (with little effect) to fill the most obvious gaps of the world financial system. Then, suddenly, in the beginning of 2010, the crisis of the Greek debt, which unleashed a violent offensive on the markets against sovereign debt in the euro zone, which had up to then protected the Member States and had provided low interest rates, with insignificant spreads;[4] and since then, a speed chase between the requirements of the markets, imposing discriminatory interest rates among the euro zone countries, and the defensive reactions of those countries, attending to the most pressing needs, always perceived as too little too late and as "punitive," deaf to the risks of vicious recessionist circles and their social consequences, insensitive to the rising anger of public opinion; the entire process in the deafening silence on the future prospects, on a stimulating European project. So much for the sequence of events in a nutshell.

The euro zone crisis is played out on two interdependent main lines: "budgetary discipline" and "structural reforms" – a euphemism to avoid the term "internal devaluation." And yet these two areas raise serious questions about the social model and democracy.

- **Budgetary discipline has become obsessional**

It leads to important decisions:

- Let us cite first the introduction of the "European semester" aimed at flanking the adoption of national budgets upstream. It was strange, in fact, that the French budget was drawn up based on hypotheses about growth in Germany for instance, and that the German budget is in turn drawn up based on hypotheses about growth in France, without these two sets of hypotheses being harmonised in the very least!

Question: Does the "European semester" spell decisive progress towards an economic government for the euro zone? Has it for instance meant making fewer mistakes about the growth prospects for 2012, which had to be dramatically revised downward recently, no doubt because of the generalised budgetary austerity in the euro zone?

[4] Difference between the interest rate for a given country and the lowest interest rate (for Germany).

- The six-pack, i.e. the package of six legislative proposals (how poetic a name!) proposed by the Commission, approved by the Council of Ministers and, on 29 September 2011, by the European Parliament, gives more weight to the Stability and Growth Pact. We will address the "competitiveness" aspects of this six-pack presently.

- The euro zone summit of 26 October 2011, followed by the European Council of 8-9 December 2011, led to the announcement of a new "budgetary pact" as well as to the "development of stabilisation instruments to deal with problems in the short term." A commitment was thus undertaken to "introduce a new budget rule entailing an annual structural deficit not exceeding 0.5% of nominal GDP," a "rule which will be introduced in the national legal systems at the constitutional or equivalent level;" "this mechanism will be developed by each Member State on the basis of the principles proposed by the Commission, and the Court of Justice will verify the transposition of this rule at national level." It was moreover agreed to "accelerate the implementation of the treaty establishing the European Stability Mechanism (ESM), so that it can enter into force in July 2012," and that in the event of emergency, the decision to use it can be taken "by a qualified majority of 85%." Given the position adopted by the British prime minister, these new measures should take the form of an "international agreement" to be signed by March 2012, "the aim remaining to integrate these provisions in the treaties on the Union as rapidly as possible."

  Question*:* Will this new hybrid Pact, concurrently inter-governmental and bound to be integrated in the treaties on the Union, meet the essential democratic requirements in terms of budget, taxes and public debt? It often feels as if it is going to be rushed through at the inter-governmental level.

At this stage, therefore, it must be noted that there is no perceptible progress on the questions of substance, carefully disregarded. To cite but two:

- Should the current prohibition of any primary financing of public deficits and matured sovereign debt by the European Central Bank be maintained? Is "system D," i.e. "non-conventional financing" by the ECB satisfactory, whether in the form of redemption of public debt on the secondary market or in the form of liquidities granted to private banks… so that they can buy the sovereign debt on the primary market? Wouldn't it be better to bring the articles of association of the European Central Bank in line with its real responsibility as lender of last resort?

- Can an eminently federal single currency be stable without a federal budget? A real federal budget, of sufficient scope (far higher than 1% of the EU budget)? A federal budget that would have its own fiscal resources – new (like a tax on financial transactions or greenhouse gas emissions) or transferred from the current tax resources of the Member States? A federal budget which would have its own areas of competence concerning expenditure: on the one hand, the mutualisation of existing sovereign debts (a common defeasance structure proposed by the German sages), and common interest expenditure (energy, the environment, large networks, research) on the other?

■ The competitiveness aspect is just as problematic

- The euro zone summit of 11 March 2011 adopted the "Pact for the euro," which was then approved by the European Council of 24-25 March 2011. This "Pact for the euro" aims to "improve competitiveness, thereby leading to a higher degree of convergence" (it would have been preferable to state "upward convergence!"). It is specified that "progress will be assessed on the basis of wage and productivity developments and competitiveness adjustment needs." The criterion set to strengthen competitiveness is the unit labour cost (ULC);" It is recommended to "review the wage setting arrangements, and, where necessary, the degree of centralisation in the bargaining process, and the indexation mechanisms."

***Question**:* Integrating productivity gains in wages is tantamount to stabilising the wage-profit sharing in added value. Nothing is said about this sharing. However, the wage part has been decidedly lowered in many Member States, particularly in Germany. Can we come out of the crisis without wondering about the sustainable level of sharing the added value in the euro zone Member States?

- In the "Pact for the euro," it is also stated that "competitiveness is essential to preserve our social models" and that the "social partners will be fully involved at the EU level through the Tripartite Social Summit" (sic!). It is specified that the "autonomy of the social partners in the collective bargaining process must be maintained" (sic!). This citation sounds rather formal. Nevertheless, given the challenge to collective bargaining agreements, wages, pensions in countries "under adjustment programmes" and bound to be extended to the entire euro zone. It is moreover recommended to "promote flexicurity," "lower taxes on labour to make work pay while preserving overall tax revenues, and take measures to facilitate the participation of second earners in the work force" – as if flexicurity was going to create jobs that were lacking because of lack of growth.

  ***Question**:* What is the effective degree of social consultation, quite apart from bargaining?

- The Pact for the euro finally points out that "Action to raise competitiveness is required in all countries, but particular attention will be paid to those facing major challenges in this respect." Fortunately, in its deliberations on the aforementioned "six pack," the European Parliament ensured that the inquiries on competitiveness pertained not only to the countries with a trade deficit but also to countries with a trade surplus. **Question**: Why would it make more sense to ask countries in deficit to reduce their wages ("internal devaluation"), rather than countries in surplus to increase theirs ("internal revaluation")?

As in the matter of public finances, the current management of the euro crisis has deep insidious implications for the European social model and for democracy. There is a considerable need for a democratic debate on the social stakes to be preserved and promoted in the euro zone as a whole.

***Question*:** Instead of concluding an exclusively coercive international agreement in haste, shouldn't we insist on an in-depth democratic reform, basing the euro zone on three – monetary, budgetary and social -- fundamental pillars which are indispensable for its stability, a reform naturally open to the other EU Member States that would wish to come on board?

FOR THE STEERING COMMITTEE
JOËL MAURICE

21 DÉCEMBER 2011

Workshop 3

EUROPEANISATION OF SOCIAL DEMOCRACY:

The case of company transnational collective bargaining

In spite of the considerable differences between labour relations in the member countries, the European legislators wanted to establish the conditions required for a European system of labour relations to emerge. In 1984, the term "European social partner" was officially introduced in the Treaty of Rome. The European Commission was then vested with the task of encouraging the development of a "social dialogue" so as to promote contractual relations in the longer term. After a period of quasi tripartite European social dialogue that produced rather modest results, the European governments followed the agreement of 31 October 1991 signed by and between ETUC, UNICE and CEEP and introduced a pre-emptive role for the social partners in the European legislative process. This was the very essence of the social protocol appended to the Maastricht Treaty (1992) – with an opt out clause for the United Kingdom. This protocol was subsequently included as a social chapter in the Amsterdam Treaty (1997) and has since been compulsory for the Member States (including the United Kingdom). The European trade unions and employers' organisations thereby acquired public status and strong pre-emptive power in the social legislation process. If they manage to negotiate an agreement, they can force the governments to extend that agreement and thus to contribute to European social regulations.

In reality, progress towards European collective bargaining has been modest. A series of reasons can be found for this feeble performance. First of all, some employers' organisations have continued to oppose any form of collective bargaining at European level. They wanted to limit the European social dialogue to negotiations on non-controversial or soft subjects, as they are known, whilst avoiding negotiating on more antagonistic issues. In a similar manner, at the sector level, certain employers' organisations were slow to emerge as a social partner with powers to negotiate in a sectoral social dialogue committee. To overcome these limits, strong political determination was needed on the part of the Commission, inducing fear of legislative initiatives to goad the social partners to negotiate "in the shadow of the law." This determination is increasingly lacking today. The result is a little less modest at sector level, especially sectors with embryonic industrial policy on a European scale. None of these agreements pertains to wage issues, owing to the fact that pay has been excluded from the EU's legislative competencies that the social partners did not want to exceed either by independent bargaining, although they initiated such steps in other areas. They have nonetheless defined criteria in certain sectors such as metallurgy aimed at a form of coordination of pay demands and negotiations in the Member States.

Unlike the inter-industry and sector levels, there is no European legal framework today for the company transnational collective bargaining. A social dialogue has nonetheless managed to develop on the basis of the directive on the European Works Councils (EWC) of 1994. This directive has indirectly given impetus to a form of transnational collective bargaining, as there are currently near 1000 EWCs established on the basis of an agreement negotiated with workers' representatives.

The results of these committees show a wide variety of experiences. These agreements often lacked appropriate procedures for a real, informed discussion and a possible change in points of view. The question of the anticipatory nature of information, particularly in the case of restructuring, was raised suddenly when the Belgian subsidiary of the Renault group was closed in 1997. This question was at the heart of the process to revise the directive which in 2009 ended up strengthening the information and consultation rights of the EWCs.

In 2004, the European Commission announced its intention to provide an "optional" European framework for transnational collective bargaining which was entered in the Social Agenda 2005-2010 adopted in 2005. Because no consensus was reached among European social partners on the need for a legal framework – ETUC was for and BusinessEurope against it – the European Commission dropped the plan to submit a draft and opted to continue the discussion by resorting to assessments and seminars. If such a legal framework were adopted, ETUC would want the trade union federations to sign European transnational agreements, even if elected officials of the EWCs took part in the collective bargaining.

In spite of the lack of a legal framework, transnational collective bargaining at company level has developed on a voluntary basis since the end of the 1990s. The EWCs have played an important role in this process. A Commission database has identified some 200 transnational agreements by European multinationals, nearly all of which have their registered office on the continent. French companies have signed some sixty such agreements, followed by German companies (about forty), compared with only four agreements signed by British companies. Nearly half of these are "International Framework Agreements" (IFAs), namely agreements world-wide in scope signed by international trade union federations. These IFAs pertain mainly to the fundamental rights of workers and to corporate social responsibility. The agreements signed at European level which, by analogy, are known as "European Framework Agreements" (EFAs), pertain to a wider variety of issues, mainly restructuring operations, social dialogue procedures and occupational health and safety. Eighteen of the agreements that deal with a transnational restructuring provide substantial guarantees to save sites and jobs. Nearly all were signed in the automobile sector, in particular by General Motors Europe and Ford, two subsidiaries of American corporations in Europe, who are playing a pioneering role here.

The large majority of EFAs were signed by the EWCs. Some were co-signed by national or European trade unions. A growing number of EFAs were recently signed only by European trade union federations. This shows the result of the European trade union coordination strategy initiated by the "internal procedure" adopted in 2006 by the European Metalworkers' Federation (EMF). This new EMF procedure is aimed at obtaining a negotiating mandate from its member organisations to engage in negotiations with a transnational corporation. The negotiating mandate must not only define the issues to be negotiated, but also the procedures to be followed and the composition of the negotiating team. A negotiated draft agreement must then be approved by majority voting (preferably by unanimity) by the trade unions concerned. This procedure moreover entails an obligation to include a non-regression clause in the agreement that guarantees compliance with rules of national agreements.

The session discussion will focus on the factors that have promoted or impeded the conclusion of these transnational agreements. Who were the actors involved in the negotiations? How were different local or national interests reconciled? Have there been difficulties in implementing these agreements at the national or local level? Were the agreements adhered to? What was the upshot of the application of the new EMF rules? Can the adoption of a legal framework stimulate or, conversely, hinder the company transnational negotiating process?

FOR THE STEERING COMMITTEE
UDO REHFELDT

DECEMBRE 2011

Workshop 4

REGIONS OF EUROPE, SUSTAINABLE DEVELOPMENT, DEMOCRACY

1. At issue

In this period of crisis, changes and probable recession in the EU and in the euro zone, we expect territories, by which we mean intra-national areas, to play a more significant role in dealing with the challenges of this difficult period which will undoubtedly bring about major changes.

What territories are we talking about? Which territories are pertinent for getting more involved in economic development? Is there any homogeneity in concepts and situations in the EU regarding these questions? What examples can help us gauge the territorial vision of economic development? The "Länder" [states] in Germany, regions such as Catalonia or Lombardy, or the Basque country have a solid experience. Others, such as the French regions, are experimenting with new practices in trying to be partners of development.

But does not development stem from an economic context and business action? In what way can the representatives of the territory be "actors" – or are they doomed to continue to play an accompanying role in development?

Finally, against this background, what role can the social partners really play? Do they have the legitimacy to intervene? Is this legitimacy recognised? Can it be exercised? Is the efficacy of such intervention assessed, measurable, appraised? Does it strengthen the position of the actors, particularly the trade unions?

2. Inventory: some benchmarks

2.1 The place of "territories" in economic development

We are here targeting the infra-regional sub-complexes, being fully aware, of course, that there are wide differences among "regions" in the European area, for instance between the German "Länder," Catalonia, Lombardy and the mid regions of France. There are many differences: a difference in size first, in wealth, of course, but also and above all in prerogatives. Countries such as France have preserved their centralised power in part, and the governments of the regions do not have prerogatives similar to those of Catalonia or the "Länder." These regions are comparable to small states such as Denmark, Slovenia or Luxembourg.

There are wide disparities when it comes to economic competencies. Some territories may at best support development. Their role is limited to an environment conducive to development: land, infrastructure and facilities, training, qualification of the labour force, universities, research. It can, however, be more fundamental. Accordingly, citing the performance of German industry, the economist Robert Boyer[5] speaks of the existence of

[5] Cahier Lasaire n° 42

founding and deep-routed social compromise between industry, workers and the “Länder” which he treats as actors of development.

The actors of the territory can also go further and encourage the emergence of a new production model that has become necessary for turning towards a new way of making the most of natural, human and financial resources. It is being developed through the emergence of new initiatives of an experimental nature due to their singularity. This new production model must be able to develop from the bottom up, i.e. starting from the base, in territories that already have expertise, a qualified labour force, universities, research laboratories and a shared determination to synergise them. This new production model should make it possible to integrate further the requirements of sustainable development, for example the reduction of transport, costs, without having to return to self-sufficiency schemes.

The question nonetheless remains: what will be the “pertinent territory” for these initiatives? The answer to this question will probably vary from one EU country to another. The French regions and the “Länder” can be the places to further this production model which will then have to be publicised and disseminated widely. A regional sub-complex can constitute a basin for this type of innovative economic development.

2.2 The role, legitimacy, and efficacy of social actors

Apart from the company, can the social partners take part in charting a development strategy, in the reconversion of existing economic activities on the territory, over and above their training role of course (which is very important in Germany, but falls under the different sectors, which are organised at regional level for that matter) and in the labour market mechanisms?

How can the trade unions affect the economic decisions that organise the development of activity on the territory? Are national and multinational companies concerned about the territories in which they are located? The answer is most likely to differ depending on the country. The question therefore becomes pressing: can the territory, and more specifically its government and the social and professional officials established there, assume a leading or a supporting role? Do socio-economic actors have a recognised legitimacy to intervene? In what context can such legitimacy be exerted and does it strengthen the position of the actors, in particular of the trade unions?

The examples selected to clarify and promote the debate clearly show that when the social dialogue is embedded in a company with its own actors and takes account of the interaction between the different workplaces (e.g. Bosch in the Lyon region) and the territorial fabric, legitimacy is self-evident, as recognition and efficiency extend this legitimacy and this base.

It is undoubtedly more difficult to establish in inter-occupational institutions. Nevertheless, in countries such as Sweden, negotiations help to anticipate reconversions, and to prepare and provide workers with a job in the new activities thus created. But the social dialogue is conducted at the national level in Sweden, which is a small country, not in terms of territory, but of population. Finally, can we speak about a contribution to growth by the territory, or simply competition (attractiveness) between territories?

3. The debate

In this roundtable, we shall start with two examples:

- The first example concerns a shipyard in Denmark. A victim of competition from Chinese and South Korean shipyards, Lindøværftet, the largest Danish shipyard is going to close, the financial daily Børsen reported on 11 August 2009. Situated in Odense, the "Lindø" employs 2500 people but, with all the subcontractors, the number of jobs threatened could rise to 8,000. It is a shock for the country because, founded in 1917, the shipyard is part of its national heritage. The "Lindø" has constantly upgraded shipbuilding methods, by producing, for instance, the world's largest container vessel: the Emma Mærsk. It also incarnates the A. P. Møller-Mærsk "empire," the country's largest corporation which belongs to Arnold Mærsk and Mc-Kinney Møller. Denmark's second richest man according to Forbes Magazine, M. Møller, 96 years old, is a national icon and one of the rare persons to be addressed in the respectful "thee" form in Denmark. "Lindø", continues Børsen, will discontinue its activities when the current contracts have been fulfilled, normally by February 2012.

  Faced with this situation, there is a plan, initially touted by the territorial authority, to reconvert the entire shipyard into a world-sized corporation specialising in the manufacture of offshore wind farms and various machinery for marine energy. They targeted the world market from the outset, opening to the Korean market in particular. It is an operation that has managed to bring together all the actors, from the local to the European level. They were able to embark on reconversion and retraining that take into account individual and collective expertise. This has led to the invention of original training tools.

- The second example has to do with the restructuring of the Bosch plant at Lyon-Vénissieux. The initiative came from within the company itself: one of the French union's representatives from the European Work Council. The German group management granted him the possibility to restructure the French plant which was about to shut down. This decision got a helping hand from the German union's counterparts. The interesting thing is that the group itself is not listed on the Stock Exchange and that the top management is used to taking into consideration the views of the unions.

After these two examples, the round table will broaden the reflection to the role of the actors in a broader, multi-national field of inter-regional dimension: Saarland – Lorraine – Luxembourg – Rheinland-Pfalz and the Wallonie - interventions on reconversion and retraining, capitalising on local assets, and the prospects for the future.

FOR THE STEERING COMMITTEE
PIERRE-MARIE DUGAS

DECEMBRE 2011

10TH BIENNIAL ATHENS SEMINAR – 4 NOVEMBER 2011

WORKSHOP 2: EUROPEAN WAGE NEGOTIATIONS, COMPETITION OR CONVERGENCE

Summary

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Trade unions‘ initiatives to coordinate collective bargaining in the Eurozone

The transnational coordination of collective bargaining can be envisaged from various perspectives but it clearly belongs within the process of Europeanisation and of the (uneven) development of a multi-level system of industrial relations. While European institutions for deliberation and negotiation such as European Works Councils and European Social Dialogues are often depending on the goodwill and readiness of the employers' side to enter into talks, approaches to coordinate collective bargaining policies transnationally are driven exclusively by national and European trade unions.

The deepening of economic integration of the European Union, which gained further momentum with the introduction of European Monetary Union and the 'eastern' enlargement of the EU, has been a major driving force for European trade unions to intensify their efforts to coordinate collective bargaining policies across borders. The rationale for unions to embark on such a 'coordinated' cross-border approach to collective bargaining was the fact that in the EMU member states are deprived of exchange rate adjustments as a mechanism to balance inequalities in international competitiveness, with the burden of adjustment having shifted to wages. Unions' main concern was to avoid this leading to downward pressures on wages, against the background of a monetary regime primarily aiming at price stability. In response, European trade unions adopted instruments for the Europe-wide coordination of wage bargaining, mostly in the form of 'wage formulas'. A common feature of these wage guidelines is their reference to the annual rate of inflation and the annual growth rate in labour productivity. The European Trade Union Confederation and European trade union organisations in several sectors adopted such wage policy guidelines.

In order to secure these goals, various forms of transnational co-ordination were established. At cross-industry level, the ETUC created a working group on wage co-ordination based on the mandate of its 1999 Congress in Helsinki and adopted a resolution on this topic in December 2000. At sectoral level, the European Metalworkers' Federation (EMF) and the Textiles, Clothing and Leather European Trade Union Federation (ETUF-TCL) both adopted guidelines for their national bargainers in the late 1990s. At transnational level the Doorn group, which consists of German, Belgian, Dutch, Luxembourg and French trade unions, began to hold annual meetings to assess the results of national wage bargaining via the formula agreed, i.e. inflation plus productivity.

Unions are facing several difficulties when trying to coordinate wage bargaining across borders. Some problems stem from developments in national industrial relations and labour markets, such as the following:

- The growth of the low-pay sector in which workers are to a large extent subject to minimum wage regulation in a number of countries restricts unions' power over the process of wage determination.

- In some countries, in particular in Germany, the erosion of sectoral collective bargaining, indicated by a decrease of collective bargaining coverage, and – related to this – negative wage drift are inhibiting the coordination of wage policy on the transnational level.
- Weak and decentralised structures for collective bargaining limit the control of unions over the process of wage formation. In the majority of the central and eastern European EU countries wage-setting takes place almost exclusively at company-level, where union representation and workers participation rights are often weak. Higher-level bargaining structures and institutions are largely lacking (such as for instance employers' associations), and collective bargaining often depends on state interference. Tripartite institutions for wage bargaining are existing in almost all of the EU member states but the social partners' influence in shaping policy outcomes is weak, in particular in the central and eastern European countries.

- The voluntary nature of wage policy goals set by European unions and the fact that they tend to be perceived by national union bargainers merely as 'political' declarations that do not constrain national bargaining practices limit the effectiveness of cross-border wage coordination.

Even more important, the recent economic recession is calling wage policy instruments based on criteria such as inflation and productivity growth into question in times when industrial output is steeply declining. Although wage growth remained largely stable throughout 2009 due to wage increases that had already been settled in collective agreements *before* the onset of the crisis, wages in a growing number of EU countries wages have been cut or frozen, particularly in the public sector. Furthermore, the recent 'deficit crisis' in several countries of the euro area, which has shaken the EU to the core, is closely linked to divergent competitiveness trends – and the resulting trade and current account imbalances – in which national wage-setting plays a crucial role. Trade unions' instruments for the transnational coordination of wage bargaining are problematic. Empirical evidence indicates that in practice the implementation of wage policy guidelines is burdened with difficulties; wage-setting is rather determined by price increases than by productivity growth. This has two important implications. First, the orientation towards price developments at *national* levels rather aggravates trends of diverging inflationary tendencies, resulting in losses in price competitiveness in booming countries. Secondly, the insufficient consideration of productivity gains in wage-setting and, even more so, the striking extent of nominal wage moderation in some countries of the Eurozone, above all in Germany, further spurred diverging unit labour cost developments.

In order to ensure balanced, stable and socially equitable growth trade unions are playing a key role in the Eurozone and beyond. For unions it is essential to ensure that nominal wages grow the same rate as medium-term productivity plus a sustainable rate of inflation. Trade unions should therefore intensify their transnational coordination activities and possibly reconsider existing tools for cross-border wage coordination.