

# ***Globalization and managing change in the world of work***

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## 1. Globalization as an instigator of corporate and labour market restructuring in Europe

Over the last decades, European labour markets have experienced pressures of different forces driving change. One of these, triggering significant changes from within, has been tertiarisation. In 1980, 41% of Europe's labour force was employed in industry (including mining and construction) and 46% in services. By 2005, the share of industry in total employment had shrunk to 28% and two out of three employees found work in services.<sup>1</sup> Another evident change in European labour markets is the growing participation of women. During last 25 years, the share of married women in paid employment and those working part-time doubled. The increase in women's paid employment has strongly influenced demographic trends. Further, fewer and later marriages and less childrearing result in an ageing population. Yet another cause of labour market changes has been the rapid technological development, implying shorter life cycle of products and accelerated rates of innovation.

Arguably, however, in the early 21<sup>st</sup> century, it is globalization that has the biggest influence on European labour markets. It can be defined as 'the integration of economic activities across borders through markets' (Wolf 2004:14), or – more comprehensively – as 'a process (or set of processes) that embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or inter-regional flows and networks of activity, interaction and power' (Held et al. 1999, quoted in Hay 2006:3). This internationalisation of economic activities is extending to cover a growing number of national economies, including the emergent economies of east and south Asia, eastern Europe and Latin America which are undergoing rapid industrialisation. 'The process is being driven forward by the emergence of global supply chains in a growing number of sectors, reaching into services as well as manufacturing, in which the division of labour between operations in different parts of the international economy is continually under review according to the imperatives of cost, flexibility and productivity.' (Marginson 2008).

More intensive competition on a worldwide scale has made firms acutely aware of costs and productivity, and has prompted responses that often require restructuring of business activities, which affects – to uneven extent – different industries and obviously has impact on regional and national economies. According to Sengenberger (1990), '*industrial restructuring* may be seen as the adjustment or conversion of production and services to cope with non-transitory, primarily qualitative changes in capital, goods and labour markets. It refers, in other words, to the adaptation of an economic unit to its environment. The unit may be a firm, an industry, a region, a national economy or even the entire region (Europe, North America, et cetera).' Thus, depending on the unit, the consequences of restructuring pursued by firms have to be addressed by local, regional, national or supranational authorities and organisations like unions, employers' organisations and NGOs.

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<sup>1</sup> Figures in this paragraph are calculated from the OECD's *Labour Force Statistics*, Paris, various years, and adjusted to the present size of the EU of 25 Member States. Figures on the contractual status are from the *European Labour Force Survey* of Eurostat, Luxembourg.

Restructuring can be characterized by different actions; they are presented in Table 1 which is based on data reported to or collected by the European Restructuring Monitor.<sup>2</sup> The key aspect of these different forms of corporate restructuring – from the industrial relations perspective – is their effect on employment (European Foundation 2006a), reflected in the number of redundancies caused by restructuring actions.

**Table 1:  
Employment effects of restructuring cases recorded by ERM, by type (2002-2007)**

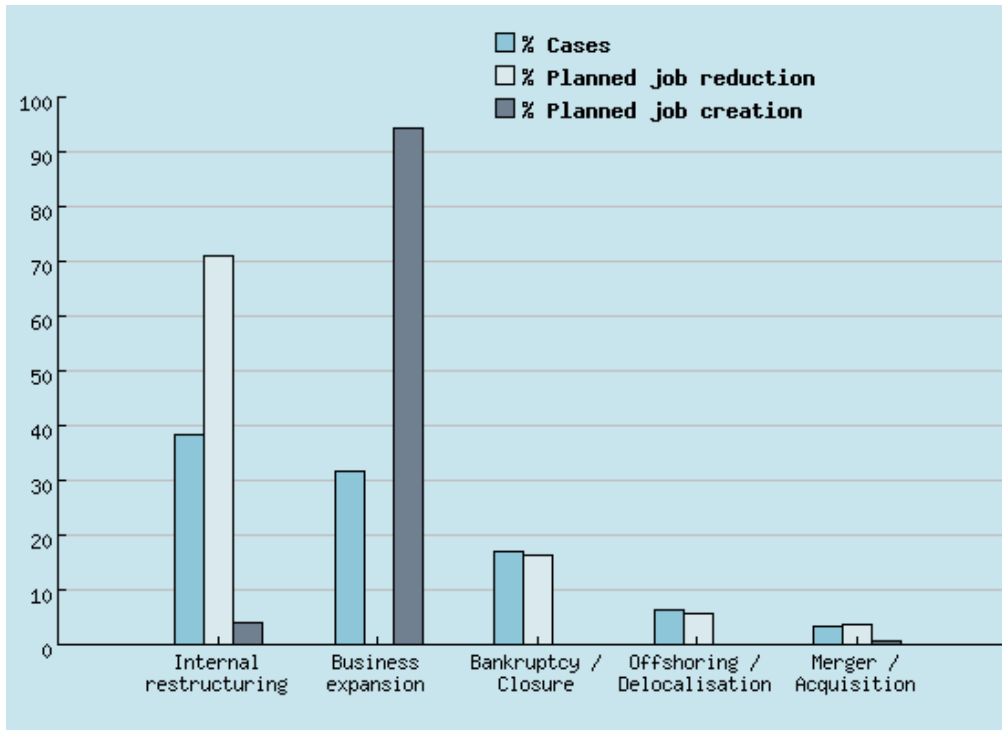
Type restructuring	# Planned job reductions	% Planned job reductions	# planned job creation	% planned job creation	# Cases	% Cases
Internal restructuring	1,462,673	70.86%	40,621	4.08%	2,265	38.18%
Business expansion	0	0%	938,241	94.35%	1,881	31.7%
Bankruptcy Closure	/ 338,073	16.38%	1,145	0.12%	1,014	17.09%
Offshoring Delocalisation	/ 117,096	5.67%	291	0.03%	368	6.2%
Merger Acquisition	/ 74,013	3.59%	7,185	0.72%	195	3.29%
Relocation	35,602	1.72%	4820	0.48%	143	2.41%
Outsourcing	27,643	1.34%	0	0%	42	0.71%
Other	9,077	0.44%	2,100	0.21%	25	0.42%
<b>Total</b>	<b>2,064,177</b>	<b>100%</b>	<b>994,403</b>	<b>100%</b>	<b>5,933</b>	<b>100%</b>

Source: ERM database of restructuring fact sheets at [www.emcc.eurofound.eu.int/erm/](http://www.emcc.eurofound.eu.int/erm/), accessed 14 June 2008.

**Chart 1:  
Distribution of cases and employment effects in %**

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<sup>2</sup> The European Restructuring Monitor ([ERM](http://www.emcc.eurofound.eu.int/erm/)) is run by the European Monitoring Centre on Change ([EMCC](http://www.emcc.eurofound.eu.int/)) at the European Foundation for the Improvement of Living and Working Conditions. This resource was established in 2003 but includes data on restructuring cases going back to 2002. The strength of this monitoring tool is that it collects data on specific cases of restructuring, including offshoring, and therefore it can potentially provide a clearer picture of the scope and extent of relocation of production. Data gathering is based on newspaper reporting and limited to larger (+250 workers) firms and major restructuring (+100 workers) events. But is probably the only comparative source there is – it now covers all EU27.



Source: ERM database of restructuring fact sheets at [www.emcc.eurofound.eu.int/erm/](http://www.emcc.eurofound.eu.int/erm/), accessed 14 June 2008.

From the data reported in Chart 1, it appears that it is internal restructuring, which does not include transfer of production to foreign countries, that causes most job loss. In response or in anticipation of increased competitive pressure firms tend to reorganize work around decentralized management of human resources, customized products and working schedules, and reorganize tasks in such ways that they can be partitioned in modules. This makes it easier to subcontract tasks, off-shore and delocalise particular activities, employ part-time workers and hire temporary staff for some tasks, while core work is multi-tasked and carried out in teams. Employment security and remuneration tend to be defined less in terms of the seniority and job status of workers than in terms of the knowledge or competences they bring to the job and acquire while working. The effect of this differentiation and individualization is the departure from the kind of permanent, full-time job in stable internal labour markets that had characterized post-1945 industrial relations in industrial market economies. Contractual arrangements at variance with the standard open-ended employment contract have proliferated. In Europe, on average the share of people in non-standard employment contracts – fixed-term, on-call, and via temporary agencies – has risen from 7% to 15% between 1985 and 2005 and a growing number of people are employed on ‘free lance’ contracts or work as ‘quasi-independent’ contractors.

The other major causes of job losses due to restructuring are, respectively, bankruptcy or closure of firm; offshoring (also called delocalisation); and mergers and acquisitions. Bankruptcy turns out to be the second-most important cause for employment losses. Its causes may be diverse – some firms go down while they are restructuring, others because they fail to do so.

According to the ERM data, offshoring of production is the third most common type of restructuring and also in third place as cause of job losses. Its relationship with restructuring and firm survival or bankruptcy is complex. Offshoring sometimes implies the end of an activity, firm or even sector, but delocation of particular activities may also help the survival of a firm, based on a new division of labour (Kahancova 2007).

Most delocalisations reported in the ERM database took place in manufacturing, with three sectors (electrical, metal and motor) accounting for more than 40% of the total, whereas they represented 26% of all restructuring cases. As for services, 20% of offshorings referred to post and telecommunications and financial services, compared with 16% of all cases. Delocalisation should not be confused with expansion abroad that leaves existing sites untouched in terms of production or employment levels and merely increases the overall production capacity or intends to create platforms to serve foreign markets. Although not the most frequent of restructuring activities, relocation and delocalisation represent one of the most concrete and potentially visible aspects of globalisation. For this reason, relocation and delocalisation processes concern those who are responsible for economic policy at local and national level, since they can have an impact on economic growth and employment levels and represent an indicator of the attractiveness of specific locations for direct investment. Similarly, they attract the attention of the social partners.

Obviously, offshoring and relocation of production are a source of concern for industrial relations actors essentially when it relates to outward transfers of production. Inward movement are much less conflict-ridden. This can clearly be traced in public opinion data, based on the Eurobarometer (2006 issue), concerning globalisation and delocalisation, which shows a clear divide between the new EU member states and countries like France, Italy, Germany and Spain. Globalisation and liberal markets are viewed much more positively in the new market economies of East Central Europe which are often receivers of investment. However, the state of industrial relations at the 'destination point' of a business relocation cannot be regarded as unproblematic. In fact, when labour regulation and industrial relations systems are among the reasons for relocation, it becomes evident that the question of supporting appropriate collective labour relations in destination countries may be part of the objectives of social partners and policy-makers at both the originating and destination locations. This has become more frequently the basis for transnational agreements assuring core employee rights, including the right of employee and union representation.

## **2. The response: how to anticipate and manage change**

The European Union's responses to the challenge of globalization should be considered in a broader context of the ongoing debate about the compatibility of social and economic goals of the European integration project. In this discussion, a conclusion is sometimes reached that the social goals of the EU are trumped by

economic priorities (Streeck 1998). Others, however, have argued that 'there is no structural contradiction between the economic and socio-political dimensions of European integration' (Traxler 2002:7). Indeed, it can be further argued that not only are the social and economic goals pursued within the European integration process compatible, but they may be mutually reinforcing: a particular selection of social policies can be helpful in achieving economic goals and good economic policy is necessary for reaching social goals. On the one hand, as shown by the example of Ireland (Wickham 2002), implementing EU labour legislation (rights of representation and consultation, the regulation of working conditions, laws against discrimination, etc.) does not have to stand in the way of economic growth and high levels of inward investment. On the other hand, the example of Nordic countries suggests that liberalizing market reforms (aimed at raising country's competitiveness within the globalizing economy) can be successfully combined with a developed welfare state (Sapir 2005). In the Nordic countries, ambitious labour market reforms drawing on the flexicurity approach have allowed to keep unemployment down without triggering social exclusion or a major increase in poverty (OECD 2006; see also Visser and Hemerijck 1997, for the example of the Netherlands). They have been accompanied by family-friendly policies and decentralization of education and healthcare systems (Giddens 2007; see also Palme 2005). Crucially, the quality of industrial relations has proved to be of major importance in achieving the two - economic and social - goals. Not only have the reforms in Nordic countries left space for involvement of social partners, but constructive cooperation of employees and unions has been fundamental for these positive outcomes.

Similarly, the EU is responding to the globalization pressures by pursuing a two-fold path: on the one hand it is promoting a market-building agenda, on the other hand it is fostering soft and hard social regulation to strengthen the social dimension of European integration, and extending financial help to regions, sectors, businesses and individuals, as a means to counter the negative effects of globalization (European Commission 2008a, chapter 1).

With the aim of enhancing the position of the EU economy in the global context, at the March 2000 meeting in Lisbon the European Council endorsed the so-called Lisbon Strategy which specifies an agenda and programme of action to make the European economy and labour market more competitive in a globalising economy. One of the two key messages of the Lisbon Strategy is that the general level of participation in the labour market, especially of women and older workers, should be increased. Among others this requires the investment in training and lifelong learning, in improved working conditions, and in family-friendly policies in the workplace and in the capacities of families of all kinds to invest in children (Esping-Andersen et al. 2002). Labour market should be reformed to attract more women into paid employment, asking women and men to become more flexible in their discharge of family responsibilities and to be increasingly committed to their work. Consequently, this should make the productivity of firms and the stability of families dependent on each other and on support for childcare and flexible work schedules. The other message is that labour markets, and in particular employment protection laws, should be made more flexible or adaptable to various sources of change, while offering employees social security which is not tied to the job but carries with it incentives to invest in training and employability.

The Lisbon Strategy agenda involves annual reviews of reform programs of the EU member states and many of its issues require the support of unions and employers. Regular consultation and the building of reform partnerships is in fact

recognized as one of the pillars of the Lisbon Strategy. The contribution of unions and employers (the social partners) is considered important. As stressed by the European Council in a statement of March 2005, 'their support will be crucial in areas such as active labour market policies, life long learning or anticipating restructuring in industrial sectors'.

While promoting market-building, the European integration project since its inception has been inspired by the principle of solidarity. Perhaps the most visible expression of this principle are Structural Funds: the most intensively used EU policy instruments to promote growth in its Member States, to reduce disparities in development and foster economic and social cohesion (Ederveen, de Groot and Nahuis 2002). The European Social Fund (ESF) and the European Regional Development Fund (ERDF), among other funds, consist of multi-annual programmes that aim at financially supporting long-term management (and if possible anticipation) of change and restructuring (European Commission 2006). In particular, the financial assistance provided by ESF (established in 1960) targets vocational training, retraining and job-creation schemes, with almost three quarters of the funding being destined to combating youth unemployment. For the last two decades, the focus of ESF has been on improving the functioning of the labour markets and helping to reintegrate unemployed people into working life. The ERDF was set up in 1975 with the purpose of helping reduce difference in development levels between regions across the Community. The ESF and ERDF are also used in emergency cases, like the one of restructuring and closure of the UK West Midlands-based Rover establishment in the UK, (over 6000 redundancies, and 15 000 more at risk, mainly in the supply chain). Here, funds were made available – both from ESF and ERDF - as readjustment to the programmes already running and supported by Structural Funds.

This and other similar crisis situations occurring in the recent years prompted the European Commission under the presidency of Jose Manuel Barroso to launch, in 2006, the 'anti-shock' European Globalization Adjustment Fund (EGF). The new fund provides one-off, time-limited (up to 12 months) support to individuals affected by mass redundancies caused by changes in world trade patterns. The fund finances exclusively active labour market measures (e.g. job search assistance, occupational guidance, tailor-made training and re-training, certification of acquired experience, mobility allowances and the promotion of entrepreneurship) to individuals affected by mass redundancies caused by changes in world trade patterns. Passive social protection measures, such as unemployment benefits, are excluded from EGF funding – here the responsibility lies with Member States. As stressed by the Commission, the EGF is 'part of the general reflection on the concept of flexibility and security or 'flexicurity', which seeks to reconcile economic flexibility with job security for workers' (European Commission 2007).

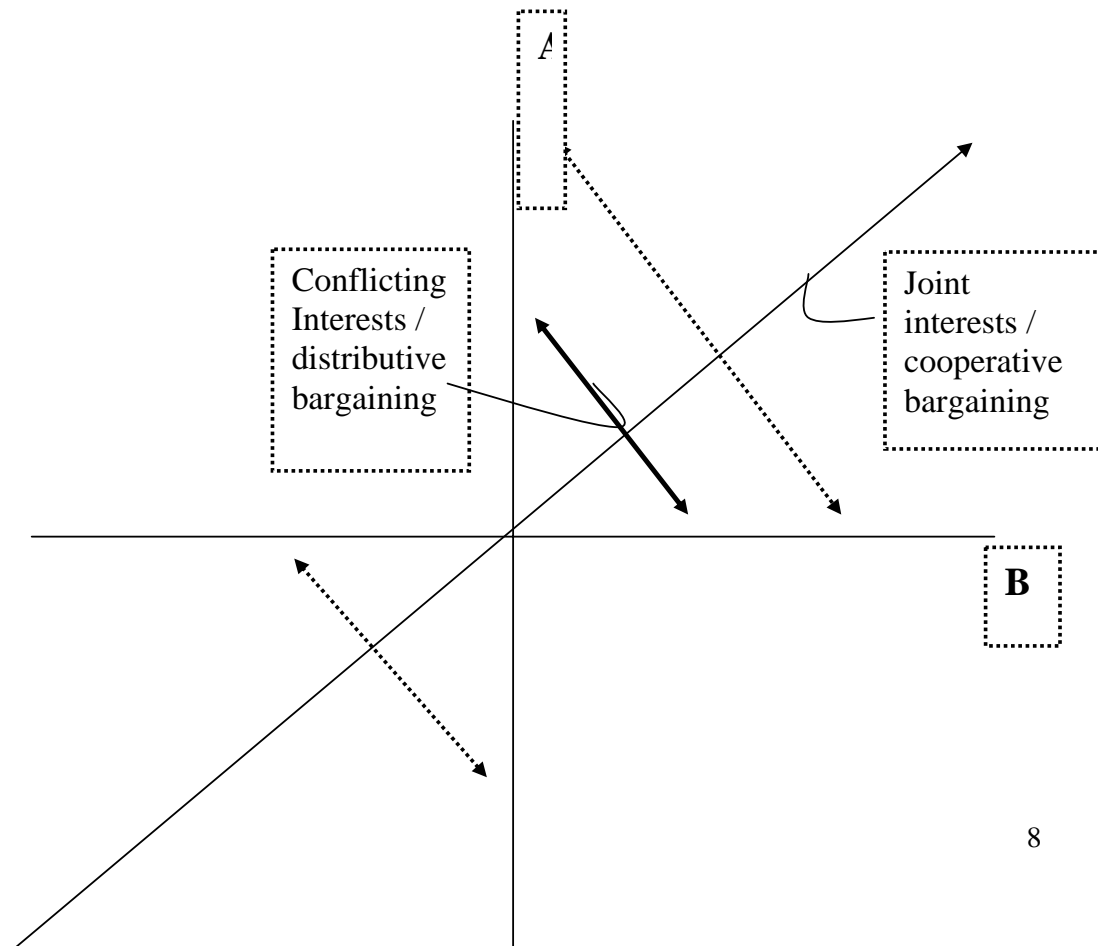
According to a rough estimate in Wasmer and Weizsaecker (2007), trade-induced collective redundancies in the EU-27 amount to 57.000 per year. Given the maximum spending threshold of 500 million euro, EGF might be able to provide up to 9.000 euro per worker. So far, the EGF have disbursed funding (totaling 21.7 million euro) in six cases which have included redundancies in the automotive industry in France (two cases) and Portugal, the mobile phone industry in Germany and Finland, and textile sector in Malta. The Commission is currently analysing five further applications (four from Italy and one for Spain) (European Commission 2008b).

### 3. Social dialogue: anticipation and management of changes in European labour markets

In broad terms, the positive impact of cooperative industrial relations on labour market performance has been argued, inter alia, by Freeman and Medoff (1984). Empirical evidence supporting this argument has been discussed, for example, by Blanchard and Philippon (2004) who, based on a sample of industrial European countries, found that cooperative industrial relations played an important role in alleviating unemployment rates, while ‘countries with worse [conflictual] labour relations have experienced higher and longer-lasting unemployment’ (2004:2). This has been corroborated by Feldman on a larger sample of industrial, developing and transition countries (2008). Feldman’s conclusion is that cooperative industrial relations ‘have a noticeable pay-off in terms of lower unemployment’, both ‘among the total labour force, and among women and youths’ (Feldman, 2008:201).

A brief digression into the logic and dynamics of social dialogue may be helpful. Social dialogue always involves a mixture of *distributive* and *cooperative* bargaining. It does *not* assume agreement or consensus, but a *willingness to engage in problem solving* and scanning the future or the environment for better solutions, i.e. solutions that are Pareto-optimal and involve gains, or lower costs, for all involved (see Chart 2 below). Applied to restructuring, it concentrates on how the underlying causes for restructuring may be anticipated and policies can be developed that raise the productive and competitive efficiency of a firm or sector.

**Chart 2:**  
**Logic and dynamics of social dialogue**



The problem of all social dialogues can be characterized as the negotiator's dilemma. The negotiator must solve two problems at the same time: to find a solution which improves the outcome for all, and at the same time find a distribution of costs and benefits that serves one's interests best. We recall that no consensus is assumed, nor similarity of interests. One must further assume that interest representatives, like unions or employers or public officials, are somehow held accountable by their constituencies and thus will ignore the interests of their members only at their own peril. The dilemma, then, is that problem solving at distributive bargaining require a double-faceted attitude or mental preparation of the negotiator: cooperative and competitive at the same time. The danger is that the competitive attitude (do everything possible to get the best outcome for yourself) necessary for distributive bargaining displaces the cooperative mental state (share information with others in order to maximize the chance of a better solution) necessary for problem solving. Negotiator or representatives who act in good faith and share information with others are vulnerable to exploitation. The result is that, fearing such exploitation, cooperation will be held back – a problem that is often found in 'low-trust' employment relations.

The negotiators dilemma can be solved by procedural guarantees. It may be important to separate the two phases and have separate joint investigating working parties ('scanning the future', 'scenarios', joint analysis of long-term developments and causes of restructuring) for the purpose of problem solving and finding solutions that can potentially improve (long-term) outcomes for all involved, before engaging in the negotiation of actual changes and dividing costs. The importance of 'learning ahead of failure', i.e. before a decision to restructure is made, cannot be stressed enough. Such learning involves analysing the underlying causes for restructuring (global shifts in competitiveness, international division of labour, regional agglomeration, etc.) and learning from previous crises and possible suggestions from best practices.

We can illustrate this further by looking at the difference in approach that is often found among employers and unions when facing off-shoring decisions. Employers typically present off-shoring as a necessity (an inevitable consequence of a decline in competitiveness) and sometimes as an opportunity to rescue a part of the industry or firm, by shifting some of the production to cheaper and more cost-efficient places. Trade unions usually regard offshoring as a threat to the employment of their members, though they can approach this issue in different ways (see below). In short, employers seem to be particularly concerned with the *reasons* for relocation and offshoring (i.e. the weaknesses of the domestic economic environment and declining competitiveness), while unions are mostly worried about the *results* (i.e. the impact on employment and the domestic economic system, as well as the potential erosion of existing wage and protection levels). This distinction might also be a reflection of their different positions in the decision-making process on relocation: while employers make the decisions and control the process of preparation, employees and

their representatives usually get involved at a very late stage and often can only try to cope with its consequences. If they are involved only late, when decisions have already been made, unions can do nothing but fight to become involved in managing change and limit as much as they can the negative results for their members, possibly by obstructing and delaying decisions. Often, 'as far as early warning and anticipation are concerned, restructuring is not an issue for the majority of stakeholders until fairly late in the proceedings, most often when layoffs are already decided (Boni 2007:8). An example of this can be the recent case of Nokia's decision to close its activities in Bochum, Germany.

The antagonism between cooperative and distributive bargaining may be diminished if employee representatives and unions are involved earlier on in the decision process and can share more information about the underlying causes that lead to these decisions. By sharing more information on the reasons or causes for decisions, with the possibility to prepare for change or consider alternative solutions, union concerns might broaden beyond the point of only considering a distributive issue – i.e. how to delay the decision or diminish the costs for their members. It does not seem to be by chance, then, that the unions are more open to accepting the challenges of relocation where the industrial relations tradition and the presence of specific participation rights allow more and earlier involvement in the decision-making process, as in the Nordic countries. In these cases, the parties often also cooperate effectively at national level. In Denmark, for instance, the central organisations in industry held bipartite talks on the effects of globalisation and produced joint proposals that were presented to the government-initiated 'globalisation council' in 2005. Such initiatives contribute to defining a common framework to analyse relocation and may constitute the basis on which specific measures can be designed and implemented. Another dimension of such information sharing is that employees and their representatives are early on and adequately involved in decision making within the firm, and that the two levels (representation within the firm and external to it) are closely connected. The Scandinavian two-level bargaining model and the integration of employee representatives in the firm in strong sectoral unions may go some way to present a 'best practice' model for anticipating change.

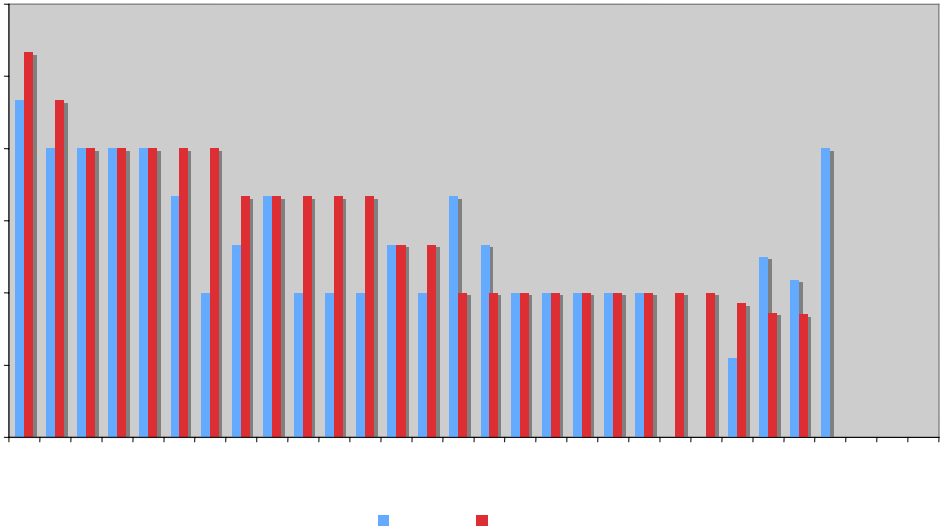
The existence of a workplace employee representative and participation structure (based on law or collective agreements) and social dialogue are distinctive features of the European industrial relations (European Foundation 2005). In the Commission's words, social dialogue is 'rooted in the history of the European continent, and this distinguishes the Union from most other regions of the world' (European Commission 2002:7) (for a contrasting view, see: Schroeder and Weinert 2004).

Social dialogue is embraced by the European Commission and the Council as an important value in itself and as an instrument to realise the modernizing and restructuring agenda of Lisbon. In its communication on 'The European social dialogue, a force for innovation and change' (European Commission 2002), the Commission considers that social dialogue can be one of the driving forces behind successful economic and social reform. The Communication highlights the role of social dialogue and partnership in addressing some of the key challenges facing Europe, for example, enhancing skills and qualifications, modernising work organisation, promoting equal opportunities and diversity, and developing active ageing policies. In another communication, specifically directed at the social dialogue

at the European level, the social partners are ‘invited to develop a joint Lisbon action program (...) identifying their contribution to the Lisbon goals’. Under the heading of ‘delivering reforms’, the Commission ‘calls on the European and national social partners to take part in genuine partnership for change by stepping up their efforts to address the themes identified above and ensuring that their contributions are as concrete and effective as possible’ (European Commission 2004).

In a number of EU member states the social partners (unions and employers’ associations) are routinely consulted over social and economic policy making at the national level, sometimes through their presence in tripartite councils, although the existence of such councils is no guarantee that serious consultations do take place. The EU itself, together with the ILO, has considerably invested in the building up of such institutions in the former communist economies of Central Eastern Europe. In addition to routine involvement of the social partners in social and economic decision making, which may be characterized by a forward-looking capacity (for instance, when addressing the future payment of pensions), governments sometimes negotiate tripartite social pacts or agreements with the social partners over key aspects of social and economic policy, including major reforms of the labour market or welfare state. Some of these pacts are readjustments of existing policies, other agree to establish or revitalise a social and economic council or other forum for concertation. By coding such pacts as ‘1’ for the years in which they apply and adding the result to the scores for routine involvement of the social partners in concertation (‘2’ for routine concertation on all issues, ‘1’ for a limited degree of concertation, and ‘0’ for none) we obtain a picture of social pacts presented in Chart 3.

**Chart 3: Social pacts in EU member states**



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We observe that relatively robust (institutionalised) social dialogue practices feature especially in small European economies like Belgium, the Netherlands, Denmark, Ireland, Finland, Austria and Slovenia. These practices are important not only for the preparation of legislation and the implementation of reform decisions, but also for the development of more forward-looking policies in which change is furthered and anticipated. In particular the development of a shared analysis of problems is of great importance for such a forward-looking approach (see *infra*). One particular form of concertation, often more on an ad hoc basis and in response to emergencies or crisis, are the so-called tripartite social pacts, negotiated between the government, the unions and employers. In countries like Ireland, Finland, Slovenia, but also in Italy, Portugal and Spain, such pacts have had some success in creating the conditions for macroeconomic stability, social policy reform, and wage moderations, raising the national level of competitiveness. Such macro approaches must however be accompanied by an agenda at the level of firms and address issues of social services, public investment, training and productivity in order to create a sustainable growth path

At the Community level, steps taken by the European social partners include the identification of a number of modernisation issues in their renewed work programme for 2006-2008; a joint analysis of the 'Key Challenges Facing European Labour Markets', published in October 2007; and European framework agreements on telework, work-related stress and harassment and violence at work; as well as agreements at the sectoral level and cross-industry frameworks of action on issues like training, work-family reconciliation, and inclusion of persons furthest from the labour markets.

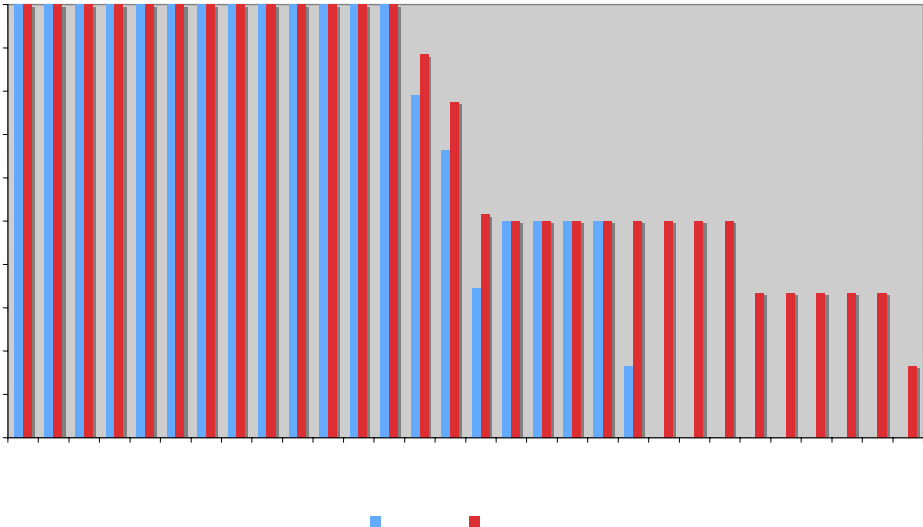
The changes in corporate structures resulting from the processes of Europeanization and globalization, and their impact on the EU internal market, were one of the main drivers behind the Commission initiative to establish information and consultation procedures on national and Community levels (European Foundation 2006a). Seconded by pressures of European multinational companies in the context of 'increasingly integrated production systems across Europe' (Marginson 2000:10), as well as counter-pressures from trade unions across Member States, the Commission's initiative resulted in the Directive on information and consultation in firms with transnational activities (94/45/EC), establishing European Works Councils (EWCs) which are a specifically EU-level development. While formally designed as employee information and consultation structures, the EWCs appear to have offered trade unions in EU Member States 'a new platform for cross-border information exchange and cooperation' (Arrowsmith and Marginson 2006:246).

In the 1998 Gyllenhammar Report 'Managing Change' (High Level Group on the Economic and Social Implications of Industrial Change chaired by Pehr Gyllenhammar, Volvo's former CEO) key role was attributed to the social dialogue at all levels across the EU. This was one of further sources that inspired the European Council and Commission to move forward with a directive on employee information and consultation in firms.

In 2002 the European Council and Parliament adopted a Directive (2002/14/EC) establishing a more general framework for informing and consulting

employees.<sup>3</sup> This Directive applies to firms employing at least 50 employees. In the UK, Ireland, Poland, the Czech Republic and the three Baltic States where the statutory obligation to create a works council is new, coverage may be limited to 100+ firms (or, on a transitional basis until 2007 to 150+ firms). Like the EWCs Directive, the 2002 Directive contains no provisions for co-determination or representation on company boards, nor does it specify sanctions if companies fail to inform workers timely and adequately about major economic decisions. In contrast to national law as existing, for instance, in Sweden, Germany, France, and The Netherlands, or as available under national agreements with the unions in Denmark, Finland or Belgium, European regulations do not require management to reconsider or renegotiate its policies as a result of consultation, for instance seeking to avoid or mitigate adverse consequences for employees of company restructuring or merger plans.

Chart 4: Workplace representation in EU member states



Source: J. Visser, calculated from ICTWSS database

The approach of the directives is germane to a partnership philosophy that is seen as crucial for gaining employee support for sustaining an ongoing process of company restructuring associated with globalization and the knowledge economy. In this philosophy firms are presented as ‘unitary’ systems in which management and labour are assumed to have common interests in making the firm more competitive and sustainable in the global economy. Problematic, however, is that the ownership structure holds management accountable to one interest, that of shareholders. In their study of corporate governance and ‘partnership’ in seven UK firms, Deakin et al. (2001) show that management developed a strategic view in which it takes account of

<sup>3</sup> Article 17 of the *Community Charter of Fundamental Social Rights of Workers* provided already for a ‘right’ of information, consultation and participation of workers “taking account of the practices in force in different Member States”, but this was non-binding.

the views and interests of *all* stakeholders only in such cases where it is allowed to interpret the requirements of financial markets loosely. Their research indicates that the attitude of management, and the managing of shareholders' attitudes in particular, is important. Similarly, strong trade unions, with a good understanding of the industry and company as well as the ability to manage and mediate between both employees and managers, are crucial. This finding was also apparent in the study of the approach of German works councils to company restructuring and adaptation to international competition (Streeck et al. 2003).

Closing the gap between the positions of employers and unions may be considered useful for a number of reasons: above all, because it could help to limit offshoring and relocation processes that merely aim to reduce labour costs, and could foster more innovative, proactive development strategies, and indeed to anticipate the restructuring processes that could have negative social impact. Early information and consultation appears crucial here, as it would allow the social partners for jointly controlling both the reasons for and the outcomes of restructuring actions, and – as a result - for much easier cooperation between the social partners. Good intentions are not good enough, however. It does not help if the social dialogue process is reduced to cooperative game with an already defined outcome that cannot be changed. 'Often – even when good and cooperative relationships are part of the culture of the firm, restructuring processes are likely to be presented to the workers and their representatives as something both inevitable and unforeseeable, something which is not the responsibility of the firm but that is caused by a variety of reasons independent from the management's will.' (Boni 2007:30). On the employee or the union side, on the other hand, the danger is that the game is reduced to a distributive one even if management stress the value of cooperation. Or to cite again Boni: even if the attitude of management is cooperative, in most cases, 'the role of social dialogue seems to be diminished to a mere 'cachet' for alleviating the original decision: essentially to try and convince the firm to reduce the originally declared number of dismissals' (Boni 2007:30).

On *union responses to relocation and offshoring* as specific cases of restructuring, the report by Roberto Pedersini of the Fondazione Seveso written for the European Foundation of Improvement of Living and Working Conditions and published in 2006 offers a useful classification (European Foundation 2006b):

- The first union approach is defined as 'traditional', as it demands the promotion of the role of industrial relations at firm level, for instance through a requirement for early information disclosure and consultation procedures, with a view to reaching an agreement on alternative solutions or on the implementation of offshoring and handling its impacts. This position includes support for initiatives to promote the cross-border harmonisation of employment conditions, through the enforcement of International Labour Organisation (ILO) standards, the establishment of Europe-wide agreements on basic employment conditions and labour protection, or the definition of common tax policies, in order to avoid social dumping and reduce the incentives for 'regime shopping' based on labour protection differentials. This approach also demands a strengthening of the role of European Works Councils (EWCs) and, as a trade union strategy, the development of cross-border cooperation.

- The second union approach is labelled as 'interventionist' or 'restrictive', since it aims to reduce the consequences or even the possibility of relocation. Trade unions propose to achieve this result through rules requiring a commitment to maintain production at a certain location for a minimum number of years when a multinational company decides to set up a new plant; an obligation to return public subsidies if production is transferred abroad before a certain period has elapsed. Moreover, unions support the introduction of rules that demand a substantial contribution by relocating firms to covering the social costs of offshoring, maybe through the mandatory provision of retraining or outplacement services, and limit the possibility of relying on public welfare services unless firms take on considerable obligations themselves. According to some unions, these measures would contribute to adding a 'social dimension' to relocation decisions and reduce the negative repercussions borne by local communities.
- The third approach is described as 'proactive', as it is not explicitly directed to regulating relocation of production, but rather to balancing the negative impact of offshoring by fostering the development of activities and employment creation in high-skilled sectors, where European economies can count on substantial and possibly enduring comparative advantages. This approach, therefore, focuses mainly on the contribution of the social partners to defining training and innovation policies and relies on cooperation at company level to manage relocation processes in a way that reduces its negative social consequences. This approach can only work if there is an extra-firm level of social dialogue and concertation, with cooperative agreements over how to raise the skills profile and competitiveness of an entire region or industry.

To conclude, we should reiterate the importance of anticipating change through genuine social dialogue at different levels (firm and sector, region or nation). As discussed above, in order for this to be successful, early involvement of social partners and information sharing are crucial. Equally crucial is the acceptance that social dialogue has both cooperative and distributive dimension and that it does not help to ignore one at the cost of the other. The case studies presented in the appendix illustrate this further.

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