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Foreword by the Commissioner

Industrial relations are at the core of Member States' economic and social organisation. At the European level, the European social dialogue acts as a complement to national industrial relations systems and has developed in tandem with European integration and the efforts to build the European internal market in order to ensure that it develops in a consensual manner. Social dialogue is recognised at the European level as a force for innovation, the consensual anticipation and management of change and as making a key contribution to better governance.

This, the third report on *Industrial Relations in Europe*, comes at an interesting time, just as the European Union (EU) has embarked on its largest enlargement which will increase the diversity of industrial relations traditions and the need for social cohesion. Against this background, understanding better the different industrial relations systems in Europe — including how they are evolving and how they contribute to economic and social prosperity — is more important than ever.

The 2004 report also comes in the run-up to the mid-term review of the Lisbon strategy, the EU's response to the challenges presented by globalisation. The spring 2004 European Council stressed the need to step up efforts to achieve the Lisbon objectives, including the need for the social partners to make a concrete contribution. This report shows that activities at the European level have been strongly influenced by the need to achieve the Lisbon objectives, and the link between European industrial relations and the Lisbon strategy is therefore a recurring theme throughout this publication.

In a context of Europeanisation, occurring as a result of globalisation and economic and monetary integration, the interaction between the European, national, sectoral and company levels of industrial relations is becoming of central importance. This increases the need for coordination and the European level provides a good interface for benchmarking, sharing best practice and mutual learning. This report seeks to make an active contribution to this process and illustrates the growing coordination practices among a wide range of actors at the European level. I trust it will provide meaningful information and stimulating food for thought to all its readers.

Vladimír Spidla

Commissioner for Employment, Social Affairs and Equal Opportunities

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Editorial

The evolution of the idea and practice of social partnership is a key element in the construction of the European Union (EU). Also described as 'social dialogue', its central message is that employers and workers, and their organised representatives, have an important role to play in the governance of the EU's economy and labour market, and in the development of appropriate policies of social and economic reform. The potential role of the social partners in times of much needed reform — in order to respond to the challenges set out at the European Council of Lisbon in 2000 — was highlighted in the report of the High Level Group on Industrial Relations and Change and the Commission's communication on the European social dialogue, both published in 2002 [1].

The European social dialogue is recognised at the highest level by the European Council as being at the heart of Europe's economic and social model, enabling parallel progress to be made on the economic and social fronts. In order to underpin the implementation of the Lisbon agenda, the spring 2004 European Council called on Member States to build partnerships for change involving the social partners, civil society and public authorities in accordance with national traditions. The importance of strong commitment from the European social partners to delivering reforms was also stressed by the Employment Taskforce in its November 2003 report [2].

In adopting the partnership approach, the EU and its Member States recognise that they have a joint responsibility in providing support for a coordinated approach to industrial relations and labour markets at a time when that is being increasingly challenged — by processes of internationalisation, decentralisation and individualisation that tend to make collective solutions less attractive and harder to enforce.

Like its two predecessors [3], this third report, *Industrial Relations in Europe 2004*, intends to provide an overview of the current state and recent development of industrial relations and social partnership — the organisation of its key actors, the relationships between them, the agreements they negotiate and the policies they conduct. Social partnership structures apply at various levels — within companies, in local and regional labour markets and in branches or sectors of economic activity, within single Member States and beyond them to embrace the EU as a whole. How these structures and the resulting processes and policies are connected across levels — mutually reinforcing or obstructing each other, or being merely irrelevant — is a critical issue for coordination. In the first report, *Industrial relations in Europe 2000*, the focus was on the role and value of European-level structures and policies. The 2002 report devoted a chapter to industrial relations in the candidate countries. This 2004 report makes an attempt to compare all 25 current Member States of the EU, although data is still lacking in some areas.

The starting point for any overview of European industrial relations and labour market institutions must be the recognition that although considerable change is occurring and there are some convergent trends in European industrial relations, diversity is also a persistent feature, both between and within Member States. This diversity, already a feature of the EU before May 2004, will further increase with the EU's enlargement. The fact that diversity persists in spite of common pressures and challenges and the fact that countries respond in different ways to these, demonstrates the important role played by rules and institutions and the way in which they are designed.

In a context of economic integration such as that occurring in the EU, while diversity may often increase the need for harmonisation, convergence or coordination, it also makes it more difficult. It therefore presents a challenge to policy-makers in designing policies to address common problems. The EU is responding to this challenge in innovative ways, both through legislation, horizontal coordination and the European social dialogue.

With regard to EU legislation, its role is evolving. Although the traditional objective of classical EU labour law instruments, namely creating a level-playing field through setting minimum standards, remains

(1) *Report of the High Level Group on Industrial Relations and Change in the European Union, Employment and Social Affairs DG, Brussels, January 2002; Communication from the Commission, 'The European social dialogue, a force for innovation and change', COM(2002) 341 final, 26 June 2002.*

(2) *Report of the Employment Taskforce chaired by Wim Kok,* Jobs, jobs, jobs — Creating more employment in Europe, *November 2003.*

(3) *European Commission,* Industrial relations in Europe 2000, *Employment and Social Affairs DG, Brussels, March 2000; and European Commission,* Industrial relations in Europe 2002, *Employment and Social Affairs DG, Brussels, May 2002.*

important, European legally-binding provisions increasingly pursue other European policy goals, such as modernising the regulatory framework, developing social dialogue at all levels, finding new balances between flexibility and security, and increasing the adaptability of workers. Examples of horizontal coordination are the open method of coordination (OMC), the exchange of views and practices within and between multinational corporations, among others with European works councils, and the coordination of bargaining agendas and activities by trade unions from different Member States.

With regard to the European social dialogue, it makes an important contribution to policy coordination in the industrial relations field. In recent years this role has been stepped up by the evolution of the social dialogue in the direction of greater autonomy, with the increasing adoption by the European social partners of 'new generation' texts which make recommendations to their members and which they undertake to follow up themselves at the national level. This contrasts with their earlier joint opinions which tended to be directed solely at the European institutions and national public authorities.

The developments described in the report indicate that it is becoming increasingly clear that Europeanisation in the field of industrial relations does not refer to 'harmonisation', or a vertical or upward transfer of authority to the European level, as was often assumed in the past. It refers instead to a process of bringing the European level closer to national and local discussions and practices, and European, national and local actors closer to each other, while respecting national and cultural differences. It refers to the convergent evolution of institutions, practices, values and outcomes such as democracy, growth, employment and social cohesion, as well as a growing awareness among industrial relations actors at all levels of what happens outside one's own national borders and cultures. This understanding of a more 'horizontal' Europeanisation, with its implications of more meaningful exchange and coordination across national borders, can be more easily reconciled with the overall decentralisation trend in industrial relations. It acknowledges the emergence of a European pattern of orientations and social relations among all participants (e.g. unions, workers, managers, employers' organisations and governments) amidst a persistent diversity of nationally defined interests, identities and practices.

Against this background, although diversity presents a challenge, it is also an asset which Europe should learn from and make to work to its advantage. Indeed the European level offers a rich context for benchmarking, sharing best practice and mutual learning. For example, one of the main contributions of the European social dialogue is that by bringing together social partners from different countries, it helps to promote mutual learning among the actors, both with regard to understanding better the perspectives of their counterparts on the other side of industry, but also by increasing their understanding of different national traditions and cultures and what happens beyond their borders.

Chapter 1 begins by examining patterns and variations in European industrial relations. The focus is mainly on the national level, although the interaction with the European level is also explored. The chapter describes European industrial relations as a 'mosaic of diversity', but with interesting efforts at coordination occurring, both at national and European level. Chapter 2 complements the first chapter by exploring the notion of 'quality in industrial relations'. At a time when national industrial relations systems are having to adapt to the pressures of globalisation and the EU has enlarged to new Member States with rather new industrial relations systems, there is an important need to better understand what constitutes good quality industrial relations, in other words, what works in terms of delivering good economic and social outcomes. This was an element emphasised in the European Commission's 'Social policy agenda' for the years 2000–05[4]. The chapter provides examples of good industrial relations at both the national and European levels. Although the subject is in need of further research, what is clear at this stage is that a wide variety of approaches are being pursued and that diverse solutions can deliver beneficial outcomes.

Chapters 3 and 4 concentrate on European level responses. Chapter 3 examines developments in the European social dialogue over the last couple of years, which can be summarised as a response to the Lisbon objectives and preparation for enlargement. In view of the contribution of the European social dialogue to better governance, the chapter also examines the qualitative evolution of the European social dialogue towards greater autonomy, including the increasing adoption by the social partners of new generation texts. Chapter 4 outlines the main legislative developments over the past two years and the important role of legislation — in spite of diverse national situations —

(4) COM(2000) 379 final, 28 June 2000.

for establishing a minimum degree of convergence in certain areas in order to create a level playing field for economic actors.

In view of the growing importance of the company level of industrial relations, Chapter 5 examines national trends with regard to the interaction between corporate ownership patterns and industrial relations in the EU, as well as initiatives taken at the European level in the field of company level industrial relations. Finally, Chapter 6 examines employment and working conditions in the new Member States in relation to the Lisbon objectives. It examines some of the main trends occurring, including the similarities and differences within EU-15 or groups of Member States within EU-15. Indeed, the trends within EU-15 are not themselves uniform, with considerable differences, most notably between the northern and southern Member States. EU membership and the need to implement the EU's social *acquis*, should over time contribute to raising standards in these countries, and there are indications that this is already occurring, for example, with regard to working time. EU health and safety and employee information and consultation rules should also help to bring about considerable improvements.