

# The Impact of Increased Economic Integration on Collective Bargaining in Great Britain and Germany

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## 1 Theory and Model

### 1.1 Research Question

My research deals with the impact increasing economic integration<sup>1</sup> exerts on Collective Bargaining (CB). I intend to establish in how far collective actors at the micro level of the economy – managements, employees and their representatives – are reacting to increasing economic integration, and how CB is changing as a result. Furthermore, I want to find in how far collective actors in two different national contexts – Germany and Britain – react differently.

In detail, I intend to look at the following questions:

1. In how far are the subjects of the negotiations changing (e.g. from substantive to procedural issues, from quantitative to qualitative issues)?
2. Who is negotiating, and at which level are the negotiations taking place (European, multi-employer, single-employer, plant-level)?
  - 2.1 In how far is the relationship between works council (in Germany) and shop stewards (in Britain) respectively and trade unions changing?
  - 2.2 In how far is the relationship between formal and informal level changing?
  - 2.3 In how far is the international/European level influencing the negotiation processes?Questions one and two are directly linked, as different topics are negotiated at different levels.
3. Which are the results?

How can these developments be explained? Furthermore, to the extent that different developments can be established in each of these areas despite of a common challenge, how can these differences be explained?

### 1.2 'Micro Literature Review'

It is claimed repeatedly (e.g. Martin/Schumann 1996) that increasing economic integration will erode organised industrial relations, as it transcends the scope of national bargaining systems and makes regime-shopping and social dumping possible (or at least the threat of it to wring concessions out of employees). Furthermore, increasing economic integration is supposed to lead to convergence towards common institutional configurations, towards one neo-liberal 'best practice' (e.g. Strange 1996). With other words: the common challenge is supposed to lead to common answers.

Indeed, it is the case that employers are using economic integration as an argument to challenge

'(an organised) approach to industrial relations in general and (...) multi-employer bargaining in particular. Wherever collective bargaining is established, there has been a widespread tendency among employers to call for decentralization, implying a shift from multi- to single-employer or even individual bargaining' (Traxler 1998: 207).

However,

'while the concept of decentralisation recurs in European discussions, its meaning differs according to context' (Hyman 1994).

This can be illustrated with a comparison of Britain and Germany: In both countries, a decentralisation of CB is taking place. However, while multi-employer bargaining was largely replaced by enterprise- or workplace bargaining in Britain, a devolution of only certain aspects of CB to lower levels took place in Germany, while the practice of concluding overarching framework agreements at sectoral level continues (Baglioni 1990, Traxler 1995, Streeck 1996). Traxler (1995) terms this process 'organised decentralisation', as opposed to 'disorganised decentralisation' or 'de-collectivisation' (Visser 1996), as happening in Britain.

### 1.3 An Alternative Approach

This is where my research starts. Despite a supposedly common challenge, there seem to be different solutions to this challenge. Why is this the case?

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<sup>1</sup> In Europe, economic integration takes mainly the form of Europeanisation rather than Globalisation: While the levels of trade and FDI have increased considerably within the European Economic Area, they have remained rather low between the three large economic areas EEA, NAFTA and ASEAN (plus Japan and China) (Hirst/Thompson 1995).

I will not go into the debate on convergence and divergence (that's old hat by now), but will rather start my research project with the assumption that the convergence thesis is wrong. The proposed alternative theoretical approach bases on two assumptions: That production regimes are developing in a path-dependent way (rather than converging), and, as a consequence of that, that common challenges can lead to different results.

### ***Path Dependency***

Actors in different production regimes are reacting in different ways to identical challenges because their actions are shaped by the institutional framework and past experiences. Therefore, there is no universal solution to the challenge of increasing economic globalisation. There can only be nationally specific answers to this challenge. If new institutions (such as an decentralised CB system) are to be implemented into a given production regime, they have to fit into the given institutional framework if they are to work smoothly, as the theories of the (neo-) institutionalists and their concept of 'social embeddedness' (Granovetter 1992) suggests.

### ***Common Cause – Different Outcomes***

What follows from the argument on path-dependency is that one identical causal factor (the independent variable) can have different outcomes in different settings. This is because the 'solutions' to those challenges are not exogenously given, but need to be adapted to the respective institutional frameworks by the relevant actors. With other words: While reacting to the same external pressures, actors are actually implementing different solutions (cf. Hancké/Casper 1996). This is why the 'école sociétale' (Maurice/Sellier 1979, Maurice/Sellier/Silvestre 1984) assumes, in line with this argument, that there can be no convergence between different models of Industrial Relations in industrialised countries.

### ***Limitations of this Approach***

This alternative approach explains only why change happens the way it does, however it does not explain why change happens in the first place. How the process of decentralisation happens can be explained with it, but not why. These processes are not inherent to a production regime, their cause is not endogenic to the it. This cause or these causes are exogenic 'critical junctures', such as increasing economic integration. However, there may be other critical junctures, which may apply to only one of the two countries, such as the effects of unification of the German CB system or the changes of the conservative governments in the 1980s and 90s on British Industrial Relations.

## **2 Methodology of the Research Project**

### **2.1 Research Design**

My research will be based on case studies. A multi-variate analysis is not suitable, as there are no clearly defined dependent and independent variables. Furthermore, it would be rather difficult to quantify data on CB. The advantage of case studies is that they will make possible an in-depth investigation of institutions and processes and their causal relationships.

The focus of my research will be on industrial relations at the plant- and company-level. Coming from the approach of 'actor-centred institutionalism', which has been developed in political science (Mayntz/Scharpf 1995), I will analyse the studied cases. In order to understand the outcomes of CB processes, one has to analyse the behaviour of the actors involved. In order to understand their behaviour, again, one has to analyse the context which they are acting in. The reciprocity between actor and structure, as conceptualised by Giddens (1988), is important here.

The actors are employers/management, employees and their representatives. In Germany, employee representatives are *Betriebsräte* (works councils) and *betriebliche Vertrauensleute* (union representatives), in Britain those are shop stewards, the union officers responsible for the respective plant, and, in cases where existing, company council members, and, in both countries, members of European Works Councils (EWCs). The most important actors at the plant level with respect to my question are those (collective) actors responsible for negotiating *Betriebsvereinbarungen* or plant-collective agreements.

Next to those actors on the micro-level, which are paramount for my research, the role of the social partners<sup>2</sup> for German IR and the role of the government for changes in British Industrial Relations in the last two decades have to be taken into account.

### **2.2 Sample**

I intend to conduct case studies in two sectors. The first sector I intend to look at is the automobile industry. It is one of the most internationalised industries, and therefore the impact of increasing economic integration on CB can be studied well here. Furthermore, the metalworking industry is the first industry where unions have attempted a transnational co-ordination of their bargaining policies in order to prevent regime shopping and social dumping (Gollbach/Schulten 2000). Here, again (as it is often the case in Germany), the metalworking industry seems to be

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<sup>2</sup> The social partners (*Sozialpartner* or *Tarifpartner*) are unions and employers' organisations. They negotiate the industry-wide comprehensive collective agreements (*Flächentarifverträge*).

the 'avant-garde of bargaining policies'. It will be interesting to establish in how far these attempts actually do influence national and sub-national bargaining policies, and in how far they are linked to European Works Councils.<sup>3</sup>

The second industry will be a control case where the degree of internationalisation is low.

### **Countries**

Britain and Germany are among the biggest economies in Europe, and hence interesting per se. Furthermore, Britain and Germany are prototypes of opposite production regimes or models of capitalism, the Anglo-Saxon model and the *soziale Marktwirtschaft* (social market economy). While the German form of capitalism is a highly regulated high-wage economy, the British economy is based on its supposed flexibility and its ability to compete on the basis of low labour cost.

In the area of Industrial Relations, there are also considerable differences, which are linked to the before mentioned ones. While Industrial Relations in Germany are consensual, they are confrontational in the UK. Trade Unions in both countries differ fundamentally in respect to their tradition, programmatic approaches and organisational structure, and so do Employers' Organisations. Furthermore, Industrial Relations in Britain are voluntaristic, while they are characterised by a high degree of juridification<sup>4</sup> in Germany. Thus, the framework in which actors in IR are acting differs significantly.

Next to these long-established differences, there are also important differences in current developments in CB (cf. chapter 1.2), between the two models in general as well as between the two economies in particular. Empirical evidence suggests a trend towards polarisation in CB: In almost all Anglo-Saxon countries, including Britain, there is a clear trend towards single-employer bargaining or even individual contracting, resulting in exclusive CB systems (i.e. in a low coverage of employees by collective agreements, basically). In continental Europe, on the other hand, multi-employer bargaining is still dominant, and CB systems continue to be inclusive (Traxler 1998). The developments in CB in Germany and Britain I described above (organised decentralisation and disorganised decentralisation, cf. chapter 1.2) are two possible developments within these two 'poles'.<sup>5</sup>

### **Time period**

In order to compare changes in CB, the cross-sectional study will be supplemented with longitudinal studies for the studied cases. This means that the study will be based on four 'clusters' of cases. Based on those four clusters, two longitudinal and two cross-sectional (i.e. cross-national) comparisons can then be conducted (cf. figure 1).

The longitudinal element in the study will allow to discuss the question in how far increased economic integration does impact on Collective Bargaining systems. Only then can one investigate in how far the recent increase in economic integration is responsible for these changes (in CB systems), and in how far other factors are responsible for these changes.

The time period I am interested in reaches from 1980 to the present day. Single-employer bargaining became predominant in Britain in 1984, after two laws which provided measures for extension (of collective agreements) were repealed in 1980 and 1983. In Germany, where multi-employer bargaining is still predominant, the move towards decentralisation happened only in the 1990s, mainly because of opening clauses (or hardship clauses) in comprehensive collective agreements and because of employers leaving the employers association (and thus not being subject to the terms and conditions of the comprehensive collective agreements any more).

## **2.3 Data and Data Sources**

The research method I intend to apply in the fieldwork is the 'cross examination' technique, i.e. the application of different types of data in order to make triangulation of data possible. Cross examination means that

'(i)instead of relying on a narrow part of data, information of different scopes is used. The individual facts are to complement and control each other: Objective data is linked with subjective data, interviews are combined with expert-opinions (...)' (Kern 1982: 155, own translation).

The case studies will be based on (academic) articles on those cases (in the automobile sector, many studies have been conducted), company and trade union publications, newspaper and journal articles, collective agreements, and interviews with Managers, trade union officials, works councillors and shop stewards. Those case studies will then be supplemented with survey material like the WERS (Workplace Employee Relations Survey) and ILC (Internationalization, Labour Relations and Competitiveness) as 'background information' in order to set this data in context.

<sup>3</sup> Some researchers have predicted that EWCs would be utilised by labour in a similar way (i.e. for a co-ordination of bargaining policies), however Hancké (2000) found in a study of the automobile industry that 'EWCs have failed to become a pan-European vehicle for trade union co-ordination'.

<sup>4</sup> The term juridification or *Verrechtlichung* stands for the fact that labour law, in particular the Works Constitution Act (*BetrVerfG*) plays a paramount role in German Industrial Relations, contrary to the British tradition of voluntarism. This term describes the traditional non-involvement of the British state in Industrial Relations.

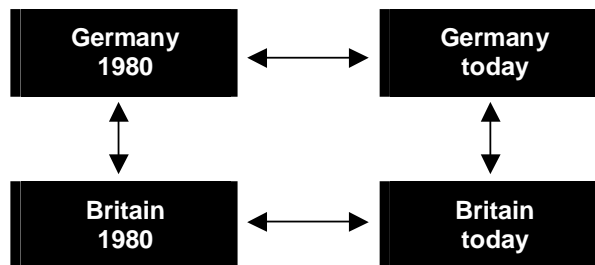
<sup>5</sup> Within the group of countries where multi-employer CB is still predominant, other existing developments are further centralisation (e.g. in Norway), 'changes without a unidirectional trend' (e.g. in France and Italy) and the absence of major alterations (e.g. in The Netherlands and Spain) (cf. Traxler 1995).

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## Appendix

**Figure 1: cross-sectional and longitudinal comparison**



**Figure 2: depiction of the sample**

